CIC

Crown Investments Corporation of Saskatchewan

2011 Annual Report

Crown Investments Corporation of Saskatchewan (CIC) is the financially self-sufficient holding company for 13 subsidiary commercial Crown corporations.

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Letter of Transmittal

Regina, Saskatchewan
March 29, 2012

To Her Honour
The Honourable Vaughn Schofield, S.O.M, S.V.M.,
Lieutenant Governor of Saskatchewan

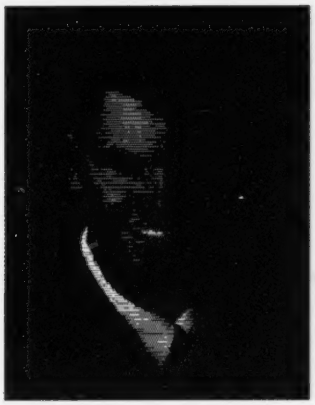
Madam:

I have the honour to submit herewith the thirty-fourth Annual Report of Crown Investments Corporation of Saskatchewan for the year ended December 31, 2011 in accordance with *The Crown Corporations Act, 1993*. The Consolidated and Separate Financial Statements included in this Annual Report are in the form approved by the Treasury Board and have been reported on by our auditors.

Respectfully submitted,

Tim McMillan
Minister Responsible for Crown Investments Corporation

Minister's Message

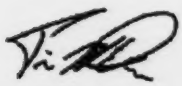


Saskatchewan's commercial Crown corporations enjoyed another successful year in 2011, as earnings exceeded budget projections. Thanks to the strong performance, the Crowns met the 2011 dividend commitment to the General Revenue Fund to support government priorities, while retaining sufficient earnings to sustain and replace infrastructure, maintain an appropriate debt to equity ratio, and to ensure customers received top quality service at the lowest possible cost. Prudent management ensured no rate increases were required in 2011.

Capital spending for infrastructure renewal continued at unprecedented levels. An excellent example is the Boundary Dam Integrated Carbon Capture and Storage Demonstration Project. This project will transform Unit 3 at Boundary Dam Power Station into a reliable, long-term producer of 100 plus megawatts of clean, base-load electricity, while enhancing provincial oil production and reducing greenhouse gas emissions by capturing one million tonnes of carbon dioxide (CO_2) per year. SaskTel also had its share of innovative, capital projects, moving its wireless network to leading edge 4G, and launching its first phase of the Fiber to the Premises network. In 2011, SaskEnergy invested an additional $6.5 million to enhance its safe, reliable gas delivery system.

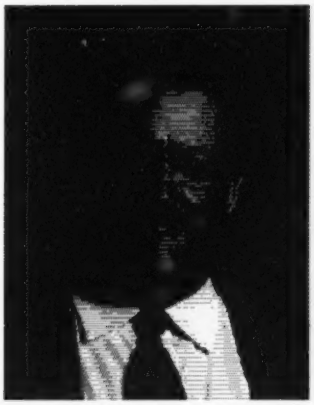
Last year's weather presented challenges throughout the Crown sector, including at SaskEnergy, causing issues related to extraordinary ground movement and wet soil conditions, particularly in South Regina. SaskEnergy will continue to spend over $30 million annually to ensure the safety and integrity of its delivery system. SGI also dealt with weather challenges on the Auto Fund side, and saw an increased number of claims. It is noteworthy to mention that despite dealing with this unpredictable challenge in 2011, the Crowns remained successful.

The Crowns continued to invest heavily in the province, which benefits their customers. Our goal is to have the infrastructure and operations in place to meet the strong economic growth in Saskatchewan, while continuing the high standard of service our customers have come to expect. None of this would be possible without the dedication and expertise of our Crown employees. I would like to thank them for their efforts, creating stability and opportunities for growth, and helping move Saskatchewan forward.



Tim McMillan
Minister Responsible for Crown Investments Corporation

President's Message



Saskatchewan continued to enjoy a strong economy in 2011, in spite of continued global uncertainty. The Crowns also had a good year despite some challenges. Extreme weather conditions, storms and flooding affected the Crowns' infrastructure expansion, their ability to provide service at times and increased claims at SGI.

The Crown sector remains healthy financially. Consolidated net earnings of $450.9 million exceeded expectations resulting in a return on equity of 10.9 per cent. The consolidated debt ratio was 49.8 per cent. Both these measures were better than targets. Thanks to the sector's strong financial performance, we were able to support government priorities through a $128.5 million dividend.

Some of the year's financial highlights included strong earnings at SaskPower due to operating efficiencies obtained, lower than expected capital costs, low natural gas fuel costs and an increase in low cost hydro generation. SaskTel had a stable year and its earnings were buoyed by gains on the sale of its investments in Hospitality Network and Saskatoon Square.

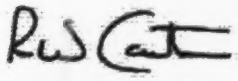
At SaskEnergy, 2011 was another year of high customer connects and strong operating earnings. However, market valuations for natural gas contracts and inventory brought net income down. There was heightened focus on system integrity and safety, following unprecedented soil moisture, particularly in south Regina. SGI arguably had the most challenging year of all the Crowns with severe storm activity and high claims, coupled with high market volatility negatively affecting earnings from its investment portfolio. SaskWater has seen water volumes and revenue increase almost 80 per cent over the last five years, which led to a healthy $3.5 million profit in 2011. Much of this growth is from the mining sector. Expectations are that water demand will continue to increase.

Capital spending at the Crowns remained strong and is needed to meet the province's economic growth and infrastructure renewal. The increase in total asset value of the Crowns significantly outpaced increases in debt. The Crowns' borrowing is carefully managed. Each Crown has debt ratio or other financial targets based on specific industry benchmarks. In addition, the government has a flexible dividend policy. Dividends are based on the financial health of each Crown corporation and its ability to pay.

Continued on Page 4

The Crown sector concluded a three-year long project that resulted in a smooth transition to International Financial Reporting Standards (IFRS), accounting standards adopted by most of the larger markets globally. I would like to thank the Crown staff for their diligence and commitment to this successful implementation. In late 2011, the Saskatchewan Immigrant Investor Fund launched its Headstart on a Home program, a loan program for builders involving municipalities and credit unions, which will lead to more affordable entry level housing in Saskatchewan.

Looking forward, we will continue to see the need for capital spending for infrastructure renewal and expansion to meet the demands of a growing economy. Given the pace of growth in Saskatchewan, the Crowns are focused on remaining well positioned financially and having the human resources necessary to meet customer needs. Strong results in 2011 are expected to continue in 2012. A large part of the Crown sector's success is attributable to the dedication, knowledge and expertise of Crown staff. My thanks to them for their contributions, and I look forward to working together to build on that success in 2012.



R.W. (Dick) Carter, FCA
President & CEO

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Corporate Overview

CORPORATE PROFILE

The Crown Investments Corporation of Saskatchewan (CIC) is the financially self-sufficient holding company for 9 Saskatchewan commercial Crown corporations. As of December 31, 2011, the subsidiary Crown corporations included:

Entertainment:

- Saskatchewan Gaming Corporation (SGC)

Infrastructure Management:

- Saskatchewan Water Corporation (SaskWater)
- Saskatchewan Opportunities Corporation (SOCO)

Insurance:

- Saskatchewan Government Insurance (SGI)[1]

Registry:

- Information Services Corporation of Saskatchewan (ISC)

Transportation:

- Saskatchewan Transportation Company (STC)

Utilities:

- Saskatchewan Power Corporation (SaskPower)
- Saskatchewan Telecommunications (SaskTel)
- SaskEnergy Incorporated (SaskEnergy)

As a holding company, CIC develops and implements broad policy initiatives, directs investments, and provides dividends to the Provincial Government's General Revenue Fund (GRF). CIC is mandated to exercise supervisory powers over its subsidiary Crown corporations, as well as operating as a Crown corporation itself.

[1] SGI administers the Saskatchewan Auto Fund which is not a subsidiary Crown corporation, however summarized operating results are provided in CIC's Consolidated Management Discussion and Analysis.

PURPOSE

CIC provides oversight on behalf of the shareholder for the Crown sector by:

- Providing strategic shareholder direction and managing Crown performance;
- Promoting best practices in Crown sector governance and disclosure; and,
- Developing and implementing broad policy initiatives and administering select Government programs.

VISION, MISSION AND VALUES

Vision

To be the corporate leader, guiding and inspiring the most innovative Crown sector in Canada.

Mission

As the holding company, we deliver strategic shareholder direction to Saskatchewan's Crown corporations, and pursue initiatives that contribute to Saskatchewan's economic success.

Values

INTEGRITY
We are trustworthy, respectful of others, and accountable. We honour our commitments and conduct our business ethically.

SOCIAL RESPONSIBILITY
We demonstrate good corporate citizenship through volunteerism, diversity, sponsorship and environmental responsibility.

EXCELLENCE
We hold ourselves to the highest business standards, striving to achieve our full potential and inspiring others to attain theirs.

LEADERSHIP
We provide guidance and inspiration, valuing the contributions of our employees and partners. We work together to achieve our common objectives.

Governance

CORPORATE MANDATE

CIC's governing legislation and its mandate are defined by *The Crown Corporations Act, 1993.*

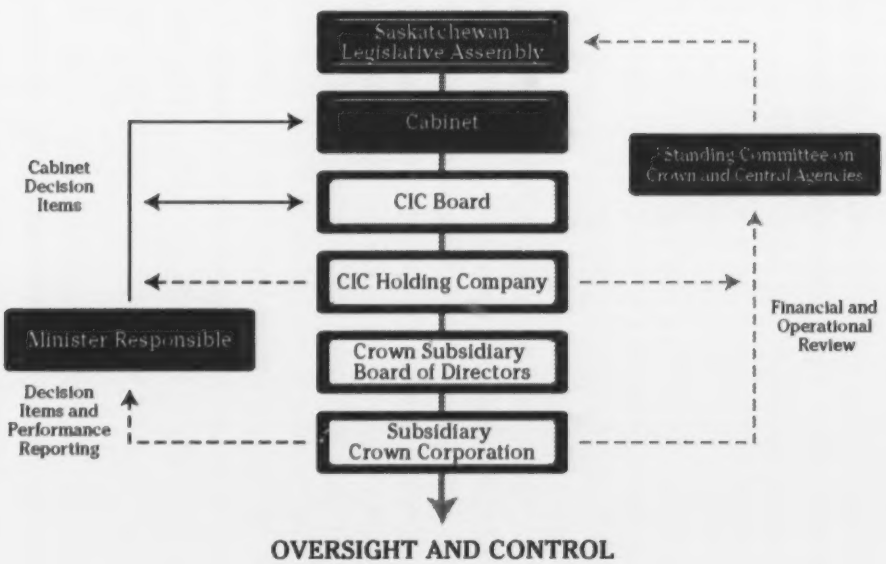
(a) CIC is the holding company for all subsidiary Crown corporations exercising supervisory powers granted in the interests of all Saskatchewan residents;

(b) CIC is the agency responsible for making and administering investments on behalf of the Government of Saskatchewan.

FINANCIAL & PUBLIC ACCOUNTABILITY

The following chart depicts the accountability structure of Saskatchewan Crown corporations to both the Government and to the all party committee of the Legislative Assembly, the Standing Committee on Crown and Central Agencies. It also outlines the reporting structure for decision items and performance management and defines the oversight responsibilities of:

- The Government (as the shareholder and mandating body for the Crown corporations);
- The CIC Board (as the representative of the shareholder to ensure mandates and activities are consistent with the interest and intent of Government); and,
- The Crown corporation Board of Directors (as the stewardship body with fiduciary duty to the Crowns' operations).



[1] The Standing Committee on Crown and Central Agencies considers matters relating to CIC and its subsidiaries. Reports of the Provincial Auditor, as they relate to CIC and its subsidiaries, are permanently referred to the Standing Committee on Crown and Central Agencies.

BOARD OF DIRECTORS

The CIC Board of Directors consists of members appointed by the Lieutenant Governor-in-Council and functions as a key committee to the Provincial Cabinet. The CIC Board is comprised of non-independent members, makes decisions in its own right, and forwards recommendations to Cabinet for consideration. The Board's key responsibilities are to:

- Set strategic direction for the Crown sector;
- Provide oversight to subsidiary Crown corporations by reviewing annual business plans and setting performance expectations, allocating capital within the sector, monitoring and evaluating performance; and
- Provide oversight to CIC management by approving CIC's business plans and budgets as well as monitoring and evaluating corporate performance.

Board Committees:

- The CIC Board has no separate nominating, compensation or audit and finance committees.
- As Board members are appointed by the Lieutenant Governor-in-Council, there is no nominating committee.
- There is no compensation committee; the CIC Board approves an executive compensation framework which applies to the executives of CIC and all subsidiary Crown corporations. The Chair of the CIC Board provides oversight of CIC's CEO and evaluates the annual performance of the CEO.
- The CIC Board acts as an audit and finance committee by approving CIC's financial statements, and meeting with external auditors and the Provincial Auditor without management present.

Board Meetings:

- The CIC Board held 18 meetings in 2011.
- All CIC Board members are provided with written materials in advance of meetings.
- As a standing agenda item for Board meetings, the Board holds in-camera sessions without management present and where all CIC Board members can participate.

As of December 31, 2011 the following served as members of the CIC Board of Directors.

Honourable Tim McMillan, Chair

Minister Responsible for Crown Investments Corporation
Minister Responsible for Information Technology Office
Minister Responsible for Information Services Corporation
Minister Responsible for Saskatchewan Government Insurance
Minister Responsible for Saskatchewan Liquor and Gaming Authority
Saskatchewan Development Fund Corporation

- Mr. McMillan attended the University of Victoria where he received a degree in Economics.
- Mr. McMillan is a Microsoft Certified Systems Engineer and spent a year contracting as an IT professional in London, England.
- Prior to his election in 2007, Mr. McMillan operated an Oilfield Service Company.

Honourable Bill Boyd, Vice-Chair

Minister of Energy and Resources
Minister Responsible for Saskatchewan Telecommunications
Minister Responsible for The Global Transportation Hub Authority
Surface Rights Arbitration Board

- Mr. Boyd was originally elected in 1991 as a Progressive Conservative MLA, and became the leader of that party in 1994.
- In 1997, he and three of his colleagues joined with four Liberal MLAs and founded the Saskatchewan Party.
- Mr. Boyd operates a pedigreed seed feed farm near Eston, Saskatchewan.

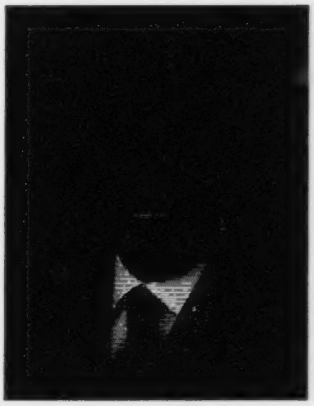
Honourable Rob Norris, Member

Minister of Advanced Education, Employment and Immigration
Minister Responsible for Innovation
Minister Responsible for Saskatchewan Power Corporation
Minister Responsible for Uranium Development Partnership
Saskatchewan Apprenticeship and Trade Certification Commission
Innovation Saskatchewan
Saskatchewan Opportunities Corporation
Saskatchewan Research Council

- Mr. Norris holds an M.A. (Alberta, with courses completed in Saskatchewan) and a B.A. with Distinction in Political Science (Lethbridge), with graduate research relating to Canadian foreign policy.
- During graduate school, Mr. Norris was a teaching assistant at the University of Saskatchewan (U of S) and taught courses focusing on Canadian government for SIAST and the U of S Extension Division.
- Prior to his election to the Saskatchewan Legislature in 2007, Mr. Norris served as Special Advisor on Innovation to the Saskatchewan Party.
- He has served on several committees, including as Chair of the Knowledge Industry Committee of the Greater Saskatoon Chamber of Commerce.

Russ Marchuk, Member
MLA, Regina Douglas Park

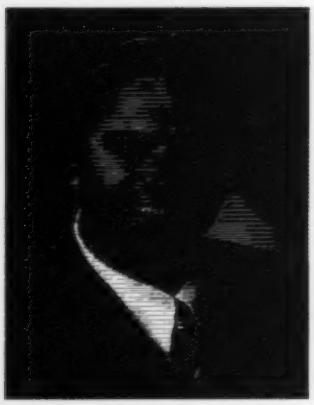
- Mr. Marchuk was first elected to the Saskatchewan Legislature in the 2011 provincial election. He sits on the Human Services Policy Committee, the CIC Board, and is involved in the math curriculum consultations.
- He was born and raised in Regina Douglas Park and earned his Education degree from the University of Regina.
- During his thirty-year career with the Regina Public School System, Mr. Marchuk worked in a variety of capacities, including; teacher, vice-principal and principal at a number of Regina elementary and secondary schools; school board trustee; and, Vice-Chair and Chair of the Regina Public School Board. He also served as an education consultant with First Nations' schools in the Treaty 4 area from 2001 – 2011.



Paul Merriman, Member
MLA, Saskatoon Sutherland

- Mr. Merriman was first elected as MLA for Saskatoon Sutherland in the 2011 provincial election.
- Prior to the election, Mr. Merriman was the Executive Director of the Saskatoon Food Bank and Learning Centre, working diligently to increase funding and decrease costs.
- Before his employment with the Food Bank, Mr. Merriman worked with SaskEnergy for eight years setting up a province-wide salvage operation of used material that generated corporate savings for SaskEnergy in excess of $8 million. He has also operated two small businesses.

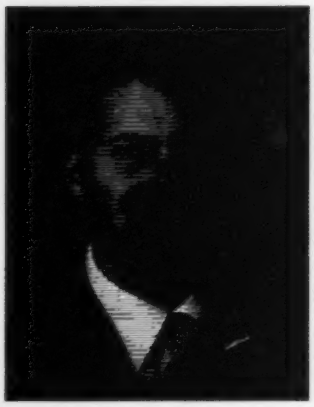
For the period January 1, 2011 to November 30, 2011, the following individuals served as members of the CIC Board of Directors:



Honourable Ken Cheveldayoff, Member

Minister of First Nations and Métis Relations
Minister Responsible for Saskatchewan Gaming Corporation
Minister Responsible for Northern Affairs

- Mr. Cheveldayoff attended Carleton University in Ottawa, the University of Saskatchewan and Newport University in Southern California, receiving a B.A. (Honours) in Economics and Political Science in 1988 and a Masters of Business Administration in 1996.
- Prior to being elected in 2003, Mr. Cheveldayoff worked with Western Economic Diversification assisting individual businesses and industries to grow and expand.
- He has been an active member of the Saskatoon community through service with the Children's Health Foundation, the Saskatoon Chamber of Commerce, the North Saskatoon Business Association, and the Provincial Exporters Association.



Honourable Dustin Duncan, Member

Minister of Environment
Minister Responsible for Saskatchewan Water Corporation
Minister Responsible for SaskEnergy Incorporated
Saskatchewan Watershed Authority
Water Appeal Board

- Mr. Duncan holds a B.A. in Canadian History from the University of Regina and has also completed the Canadian Securities Course.
- Mr. Duncan has served as a member of the Saskatchewan Legislative Internship Program Advisory Committee and in 2007 was named a BILLD Fellow after completing the Bowhay Institute for Legislative Leadership Development program at the University of Wisconsin – Madison.
- Mr. Duncan is the youngest Cabinet Minister in Saskatchewan history and one of the youngest in Canadian history being first appointed in 2007 at the age of 29.

Board of Directors - Tenure

The CIC Board held 18 meetings in 2011.

Name	Position	Term on the Board
Honourable Tim McMillan	Chair	January 1 to December 31, 2011
Honourable Bill Boyd	Vice Chair	January 1 to December 31, 2011
Honourable Rob Norris	Member	January 1 to December 31, 2011
Russ Marchuk, MLA	Member	November 30 to December 31, 2011
Paul Merriman, MLA	Member	November 30 to December 31, 2011
Honourable Ken Cheveldayoff	Member	January 1 to November 30, 2011
Honourable Dustin Duncan	Member	January 1 to November 30, 2011

Organizational Overview

OPERATING DIVISIONS

At year end, CIC had 71 positions in its six divisions: President's Office; Finance and Administration; Human Resource Policy, Governance and Legal; Crown Sector Initiatives; Asset Management; and Capital Pension and Benefits Administration.

PRESIDENT'S OFFICE	The President's Office is responsible for the overall direction of CIC. It also includes the Communications and Human Resources units.
FINANCE & ADMINISTRATION DIVISION	The Finance & Administration Division provides analysis and recommendations to the CIC Board on a wide range of Crown sector business issues. Specifically, the Division supports: • Strategic shareholder direction to the Crown sector and internal corporate planning; • Oversight of Crown corporation performance management and capital allocation plans; • Sector-wide financial reporting and forecasting; • Management of CIC's budget and financial transactions, including cash and debt positions; internal audit function for smaller subsidiary Crown corporations; and • Corporate administrative and information technology services including information management, e-mail and network security services.
HUMAN RESOURCE POLICY, GOVERNANCE, & LEGAL DIVISION	The Human Resource Policy, Governance & Legal Division provides legal services to CIC, strategic advice, analysis and support on sector-wide matters on human resources and broad policy issues to the CIC Board and management, as well as corporate secretary services to the Crown Boards, together with leading edge training and development to Crown Board members.
CROWN SECTOR INITIATIVES DIVISION	The Crown Sector Initiatives Division supports CIC's mission to enhance the Province's long-term economic growth and diversification. The Division acts as a catalyst for coordinating or assisting with strategic economic development projects within the CIC Crown sector which require co-ordination with commercial Crown corporations, executive government departments, external agencies and/or the private sector.
ASSET MANAGEMENT DIVISION	The Asset Management Division's mandate is to prudently manage and divest an existing portfolio of investments on behalf of the Province that optimizes financial outcomes.
CAPITAL PENSION & BENEFITS ADMINISTRATION	The Capital Pension & Benefits Administration Division manages and administers the multi-employer Capital Pension Plan and group benefits program in accordance with the applicable regulations and laws. CIC has an oversight and sponsorship role as it pertains to the Capital Pension Plan. It is also responsible for holding, in trust, the pension plan's funds for the benefit of members and any other persons entitled to benefits pursuant to the plan.

EXECUTIVE

R. W. (DICK) CARTER, FCA
President and CEO

Dick Carter, FCA, is a retired partner of KPMG, Chartered Accountants, where he worked for more than 30 years in cities across the west – Regina, Saskatoon, Winnipeg and Edmonton. From 2007 to 2010, he was Chief of Staff to the Saskatchewan Minister of Finance. Dick became the President and CEO of CIC in August, 2010. Dick's considerable education and professional credentials include Fellow, Institute of Chartered Accountants of Saskatchewan (1998), Queens University, Executive Program (1996), Member – Institutes of Chartered Accountants of Saskatchewan and Alberta, and Bachelor of Commerce – University of Saskatchewan. Dick has also been very involved in the communities where he has lived. In Edmonton he was involved with the Investment Committee at the Grey Nuns of Alberta, Regina and Manitoba as well as a Board member and Chair of the Finance and Audit Committee with the Caritas Health Group. While in Winnipeg Dick was a Board member and Chair of the Audit Committee and member of the Management Operations Committee at the Royal Winnipeg Ballet. During his time in Saskatoon he was a Board member with the Sherbrooke Community Centre, Board and committee member with the Saskatoon Housing Authority and Board and executive committee member with the Saskatoon Inner City Pre-School Foundation.

BLAIR SWYSTUN
Senior Vice-President & Chief Financial Officer Finance & Administration Division

Blair Swystun is a Chartered Financial Analyst charter holder and has a Master of Business Administration. He has 30 years of government experience and has been at CIC since 1996. His public service career also included various positions at Saskatchewan Finance. Blair has been a member of numerous boards and maintains memberships in several professional associations.

DOUG KOSLOSKI
Vice-President & General Counsel Human Resource Policy, Governance, & Legal Division

Doug Kosloski is a lawyer and has a Bachelor of Commerce and Bachelor of Arts. He has 17 years of service with the Government of Saskatchewan, joining CIC in 1998. He sits on a number of boards and investment funds on behalf of CIC.

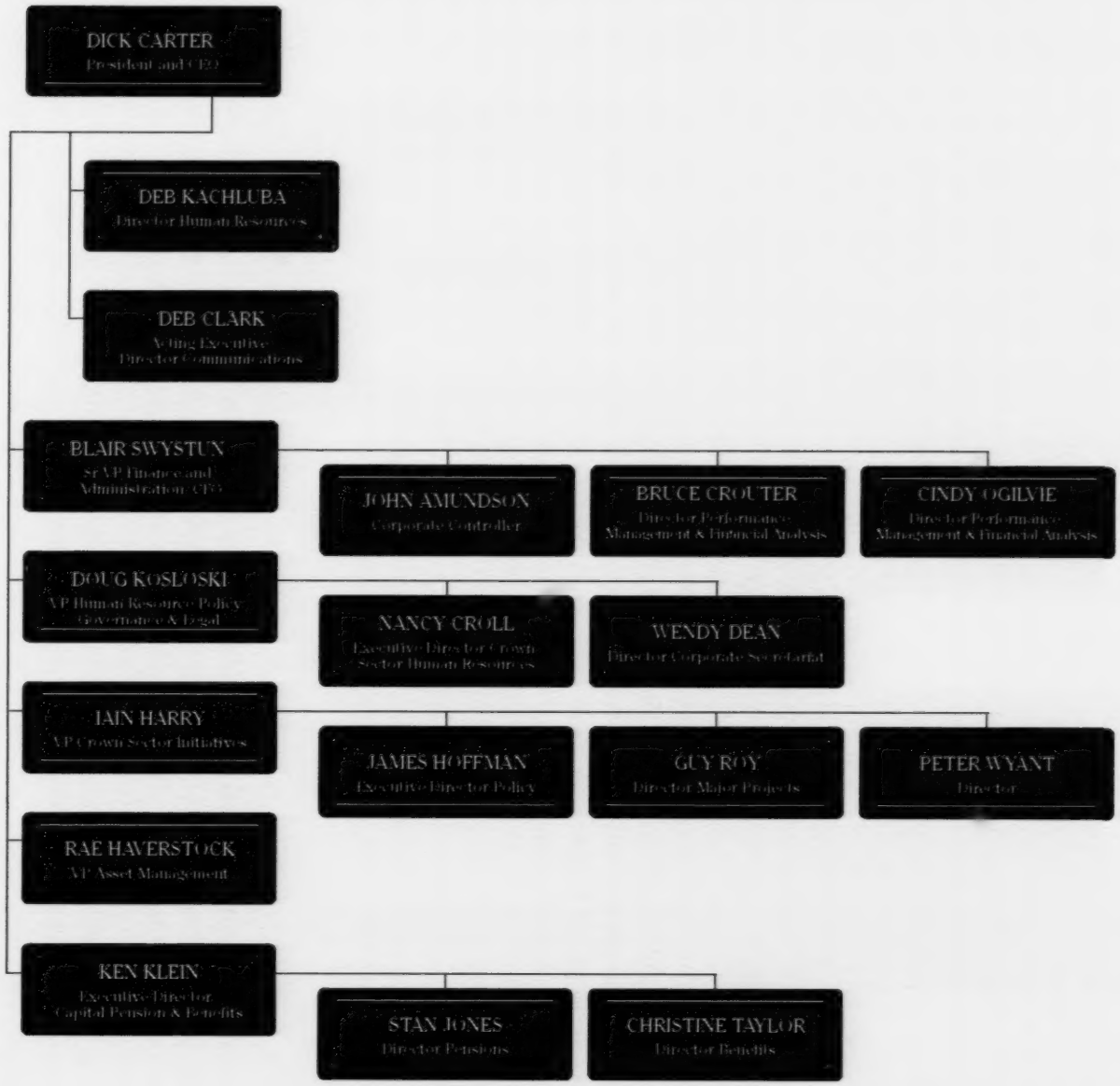
IAIN HARRY
Vice-President, Crown Sector Initiatives Division

Iain Harry holds a Bachelor of Arts in Political Studies from the University of Saskatchewan and has more than 20 years of government experience. Prior to joining CIC in 2008, Iain held senior positions with the Governments of Canada and Saskatchewan, including Special Advisor to the Premier and Senior Policy Advisor to the Federal Minister of Transport and Infrastructure.

RAE HAVERSTOCK
Vice-President, Asset Management Division

Rae Haverstock has a Bachelor of Education with majors in Economics and Accounting, and 37 years of experience with the Government of Saskatchewan. Prior to joining CIC Asset Management Inc. in 2008, Rae held senior management positions in the Capital Markets Branch and Treasury Board Branch of Saskatchewan Finance.

MANAGEMENT


DICK CARTER
President and CEO
DEB KACHLUBA
Director Human Resources
DEB CLARK
Acting Executive Director Communications
BLAIR SWYSTUN
Sr VP Finance and Administration, CFO
JOHN AMUNDSON
Corporate Controller
BRUCE CROUTER
Director Performance Management & Financial Analysis
CINDY OGILVIE
Director Performance Management & Financial Analysis
DOUG KOSLOSKI
VP Human Resource Policy Governance & Legal
NANCY CROLL
Executive Director Crown Sector Human Resources
WENDY DEAN
Director Corporate Secretariat
IAIN HARRY
VP Crown Sector Initiatives
JAMES HOFFMAN
Executive Director Policy
GUY ROY
Director Major Projects
PETER WYANT
Director
RAE HAVERSTOCK
VP Asset Management
KEN KLEIN
Executive Director Capital Pension & Benefits
STAN JONES
Director Pensions
CHRISTINE TAYLOR
Director Benefits

CORPORATE CHARTER

CIC's Corporate Charter defines expectations of CIC employees, guides their behavior and clarifies their obligations and responsibilities. CIC employees participated in developing CIC's Corporate Charter and drafting CIC's defining principles. CIC's Charter is designed to encourage and reinforce teamwork, cooperation, high productivity and effective decision-making. CIC's Charter embraces the following guiding principles:

GUIDING PRINCIPLES FOR CIC'S CORPORATE CHARTER			
DEMOCRATIC PRINCIPLES	**PROFESSIONAL PRINCIPLES**	**ETHICAL PRINCIPLES**	**PEOPLE PRINCIPLES**
We abide by our responsibilities as established in *The Crown Corporations Act, 1993* and assist the CIC Board in serving the common good.	We are committed to: excellence and merit; providing objective and impartial advice to the Government; and serving the people of Saskatchewan.	Honesty, integrity, and courage guide our actions and decisions. We work to achieve the goals of the Corporation and enhance its reputation in the Saskatchewan and global community.	We trust our colleagues, respect their needs and aspirations, recognize their contributions and commit to working as a team in fulfilling the Corporation's goals and objectives; we draw strength and creativity from the diversity of Saskatchewan society.

CORPORATE POLICIES

CIC strives to maintain the highest legal and ethical standards in all its business practices. Each employee is expected to act responsibly and with integrity and honesty, and to comply with CIC's code of conduct and its underlying policies and objectives.

CIC operates under a complete, regularly updated and approved set of corporate policies and procedures.

CIC requires all employees, including new employees at time of hire, to annually confirm in writing that they have read, understand and agree to comply with the policies relating to employee conduct.

- Conflict of Interest Policy
- Code of Conduct Policy
- Personal Information Privacy Policy
- Internet, E-mail and Computer Use Policy
- Anti-Harassment Policy

Operating Context

CIC is the financially self-sufficient holding company for 9 subsidiary commercial Crown corporations. In its oversight role of the Crown sector, CIC is responsible for the development and oversight of broad policy initiatives, directing investment, and providing dividends to the GRF.

CIC oversees and manages a comprehensive framework designed to strengthen governance, performance and accountability of subsidiary Crowns. CIC also assists subsidiary Crown Boards in discharging their responsibility of overseeing and directing the management of the Crowns. CIC is committed to implementing governance, reporting and disclosure practices consistent with those of publicly-traded companies, where such practices can reasonably be applied to the public sector. Specifically, CIC provides oversight on behalf of the shareholder for the Crown sector by:

- Providing strategic shareholder direction and Crown sector performance management.
- Promoting best practices in Crown sector governance and disclosure.
- Developing and oversight of broad policy initiatives and administering select Government programs.

SHAREHOLDER DIRECTION & PERFORMANCE MANAGEMENT

CIC communicates shareholder direction to its subsidiary Crown corporations and monitors their performance against targets and measures approved by the CIC Board. The Strategic and Performance Management Framework depicted on the following page demonstrates how strategic direction is relayed and performance is managed in the Crown sector.

Strategic Shareholder Direction

The first stage in the process is the development of the Crown Sector Strategic Plan, led by CIC. The Crown Sector Strategic Plan articulates shareholder expectations and provides medium to long-term direction to the Crown sector.

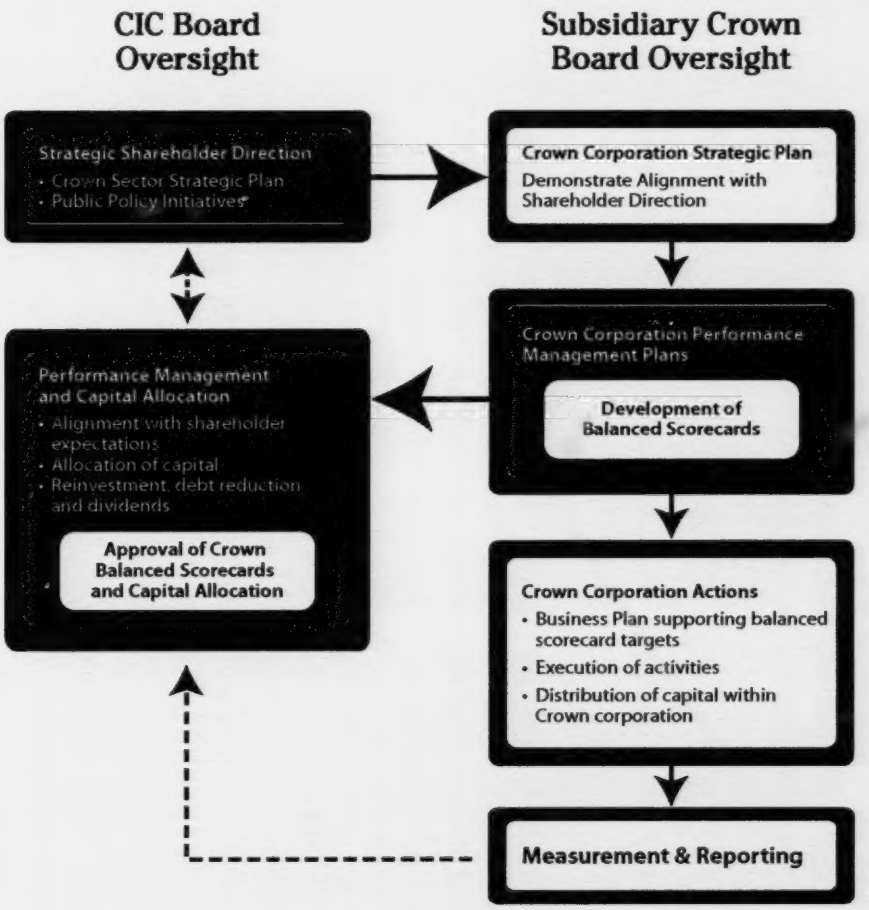
Subsidiary Crown Corporation Plans

The second stage is the development of the subsidiary Crowns' Corporate Strategic Plans, demonstrating alignment to the shareholder direction contained within the Crown Sector Strategic Plan. Each subsidiary Crown then prepares a comprehensive Performance Management Plan which includes a Balanced Scorecard with measures and targets that link to the broad strategic directions established in the Crown Sector Strategic Plan and their own Corporate Strategic Plan. Performance Management Plans are prepared by Crown management and reviewed by subsidiary Crown Boards.

Performance Management Approval and Reporting

The third stage is approval of each subsidiary Crown's Performance Management Plan by the CIC Board. Every year, the CIC Board reviews and approves each Crown's Performance Management Plan for the upcoming year. These performance plans are monitored throughout the year, with quarterly reviews and reports submitted to the CIC Board. In addition to approving the performance objectives, the CIC Board determines the capital allocation among Crown corporations for reinvestment, debt management and dividends.

CIC's Strategic and Performance Management Framework


CIC Board Oversight
Subsidiary Crown Board Oversight
Strategic Shareholder Direction
• Crown Sector Strategic Plan
• Public Policy Initiatives
Crown Corporation Strategic Plan
Demonstrate Alignment with Shareholder Direction
Crown Corporation Performance Management Plans
Development of Balanced Scorecards
Performance Management and Capital Allocation
• Alignment with shareholder expectations
• Allocation of capital
• Reinvestment, debt reduction and dividends
Approval of Crown Balanced Scorecards and Capital Allocation
Crown Corporation Actions
• Business Plan supporting balanced scorecard targets
• Execution of activities
• Distribution of capital within Crown corporation
Measurement & Reporting

PROMOTING BEST PRACTICES IN CROWN SECTOR GOVERNANCE

CIC works with its subsidiary Crown corporation Boards of Directors to assist them to adapt and implement leading corporate governance practices and standards as applicable to a public enterprise. CIC delivers centralized corporate secretary and governance advisory services to the Crown Boards, supports Boards in identifying director skill sets required to function effectively, assessing and improving their performance and sponsoring a chartered director certification program to enhance their overall skills.

Management Certification of Financial Statements

Beginning with the 2009 financial statements tabled in the Saskatchewan Legislative Assembly for CIC and all subsidiary Crown corporations, CIC has implemented CEO/CFO certification of all financial statements. The CEO/CFO certification is similar to the certification policies implemented by the Canadian Securities Administrators on publically listed companies.

CIC and its subsidiaries are one of the first government organizations to implement a certification policy. CIC is continuing to ensure that its Crown sector follows best practice for publicly accountable companies.

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board confirmed that publically accountable enterprises are required to adopt IFRS beginning January 1, 2011. Therefore on January 1, 2011, CIC and its subsidiaries converted their accounting standards from Canadian Generally Accepted Accounting Principles (GAAP) to IFRS. In preparation for the IFRS transition, CIC led a multi-Crown work group to identify changes needed to convert from GAAP to IFRS standards. The work group developed accounting policy for the Crown sector and provided advice to all CIC Crown Boards of Directors when approving IFRS accounting policies. CIC and the subsidiary Crown corporations presented their first IFRS compliant financial statements for the quarter ending March 31, 2011.

Enterprise Risk Management (ERM)

CIC's long term objective is for all subsidiary Crown corporations to have appropriate and consistent enterprise risk management frameworks in place. CIC has developed an ERM minimum standards policy that all subsidiary Crowns will be required to comply with. CIC's minimum standards for risk management are consistent with ERM leading practices. ERM involves:

- Identifying risks;
- Analyzing and quantifying risk impact;
- Assessing and prioritizing risks;
- Establishing strategies for controlling risk; and
- Monitoring and reporting.

The subsidiary Crown corporations are expected to participate in regular, formal risk management reporting both internally, and to CIC. CIC will report comprehensively on risk management for each Crown corporation to the CIC Board beginning in 2012. This policy was approved by the CIC Board of Directors in 2010.

Accountability and Transparency

CIC has developed a comprehensive performance evaluation system applicable to each of its subsidiary Crown Boards. Evaluations are conducted on a two-year cycle, with some aspect of performance evaluated annually. In 2011, all operational Crown Boards implemented performance evaluations of their Committees, the Chairs of each Committee and a peer assessment of individual directors.

Communication of Shareholder Expectations

Open, timely and reliable communication between the shareholder and each Crown Board is essential to a successful governance framework. CIC and its subsidiary Crown corporations have initiated several effective communication channels, including:

- Regular meetings between the Chairs of the Crown Boards and senior CIC officials to discuss shareholder priorities and share information regarding matters of mutual interest;
- Meetings with the Chairs of Committees of the Crown Boards, as required, to discuss initiatives and emerging trends that will impact the Committee's area of responsibility;
- Monthly reports from the Crown Board Chairs to the CIC Board highlighting items of significance considered at the Board level, major Crown initiatives and significant corporate risks; and,
- Meetings of CIC's President & CEO with the Presidents of subsidiary Crown corporations.

Board Professional Development

CIC is committed to providing the members of its subsidiary Crown Boards with the education necessary to effectively discharge their responsibilities, and has provided a training program to its Boards since 1998. In 2009, CIC began offering The Directors College Chartered Director certification program to directors serving on CIC subsidiary Crown corporation Boards. This joint initiative of the Conference Board of Canada and McMaster University can lead to designation as a Chartered Director for individuals who complete all of the program requirements. Participation is limited to 30 individuals per module. All five modules of the program have been delivered in 2009, 2010 and 2011. The program is voluntary, but has been well-received. To date, 27 CIC subsidiary Crown Board members have successfully challenged the exam and received a Chartered Director designation, while several more have partially or fully completed the course requirements but have not challenged the exam.

PROMOTING BEST PRACTICES IN CROWN SECTOR DISCLOSURE

Conference Board of Canada Governance Index Survey

The Conference Board of Canada (CBoC) maintains a 30-year database that allows Boards to benchmark their performance and governance practices against those of selected leading comparator Boards in the public and private sectors in Canada (the Governance Index). CIC has used the CBoC Governance Index to gain an external perspective on the governance practices of its subsidiary Crown Boards. In previous surveys, the ratings achieved by CIC's Crown Boards have surpassed those of all other Boards in the public and private sector whose ratings were recorded in the CBoC's database. CIC initiated its fifth Governance Index survey in 2011, with a 96 per cent response rate. The CBoC changed its Governance Index rating scale in 2009, from a possible score of 1 to 20 (the historical scale) to a possible score of 1 to 100. In 2011, CIC Crown Boards achieved an overall rating of 78 out of 100, exceeding their rating of 74 in 2009, and placing them in the high governance ranking. On the historical scale, CIC subsidiary Crown Boards achieved a Governance Index rating of 18.6 out of 20 in 2011, representing continued progress from a rating of 15 in 1999, 16.75 in 2001, 17 in 2005 and 17.33 in 2009. The next survey will be conducted in 2014.

Conference Board of Canada Reporting and Disclosure Review

On a two year cycle, CIC engages the CBoC to conduct a review of the reporting and disclosure of CIC and its subsidiary Crown corporations through their Annual Reports. The review is to:

1. Update a best practices matrix to reflect the latest standards of reporting, accountability and governance of corporations in both the private and public sectors;
2. Evaluate the disclosure and reporting of Saskatchewan's Crown corporations through a review of their Annual Reports against the best practices matrix; and,
3. Provide CIC with performance reports of each Crown corporation in comparison to the best practices matrix and relative to benchmarked comparable private companies and Crown corporations.

The last review was conducted on the 2010 Annual Reports. CIC received a rating of "B" which was slightly below its "B+" target but improved from the B- received in 2008. Areas for further improvement include more detailed discussions on:

- Methodologies for key metrics (page 25),
- CIC's risk mitigation strategies (page 37),
- Stakeholder feedback mechanisms (page 30), and;
- Executive compensation (page 32).

The next review will be conducted on the 2012 Annual Report which will be reflected in the 2013 Balanced Scorecard.

POLICY & PROGRAMMING ON BEHALF OF THE SHAREHOLDER

CIC's role includes centralized administration of select Government initiatives and programs.

- Saskatchewan Immigrant Investor Fund Inc.
- First Nations and Métis Fund Inc.
- First Nations Business Development Program
- APEX Investment Limited Partnership
- Aboriginal Bursary Program
- Gradworks Inc. (Intern Development Program)
- CIC is the plan sponsor for the Capital Pension Plan.

CIC provides funding to the International Performance Assessment Centre for Geologic Storage of CO_2.

Saskatchewan Rate Review Panel

The Saskatchewan Rate Review Panel (the Panel) was established in 2000 as an advisor to the Minister Responsible for Crown Investments Corporation. The Panel's role is to conduct reviews of rate change proposals from SaskPower, SaskEnergy and SGI (on behalf of the Saskatchewan Auto Fund). On referral by the Minister, the Panel conducts reviews and provides opinions on the reasonableness of rate change proposals considering: the interests of the customer, the Crown corporation and the public; consistency with the Crown corporation's mandate; comparison to relevant industry practices; and, effect on competitiveness related to other jurisdictions. The Panel then provides an opinion to the Minister on the proposed changes and releases a public report outlining its recommendations. The Provincial Cabinet makes the final decision on rate change requests.

CIC acts as a liaison between the Panel and the Minister as required. In this role, CIC may provide the Panel with assistance, guidance and oversight to fulfill its mandate.

The members of the Panel during 2011 were:

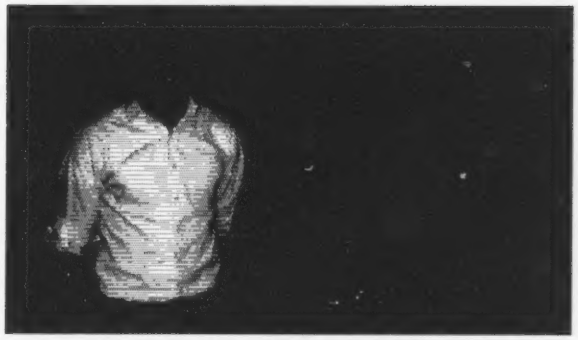
- Kathy Weber, Chair
- Bill Barzeele, Vice-Chair
- Delaine Barber, Member
- Burl Adams, Member
- Lyle Walsh, Member
- Daryl Hasein, Member
- Steve Kemp, Member

For more information, see the Panel's web site at *www.saskratereview.ca.*

CORPORATE SOCIAL RESPONSIBILITY

CIC and its employees are committed to giving back to the community and the people of Saskatchewan. In 2011, CIC and its employees raised funds and volunteered with a variety of community and charitable initiatives, such as the flood relief efforts in Weyburn, the Salvation Army's Adopt-a-Family Program, the Regina Humane Society as well as the United Way.

As in years past, the CIC staff enthusiastically participated in the 2011 United Way fundraising campaign. The efforts and generosity of the staff were unsurpassed this year, as the total contributions of CIC staff almost doubled the 2011 goal, resulting in CIC receiving the United Way 2011 Spirit Award for "Outstanding Campaign Performance" (Small Business).



Members of the CIC 2011 United Way Committee receive 2011 Spirit Award for Outstanding Campaign Performance (Small Business). (Left to Right) Troy Price, Co-Chair; Deb Ruhr, Co-Chair; Kathy Tysdal, Member

Crown Employees - Weyburn Flood Relief

Sponsorships and Donations

CIC actively supports a variety of local charitable initiatives. During 2011, through its corporate donations program, CIC donated $122 thousand to 47 non-profit and charitable organizations across Saskatchewan. CIC's corporate sponsorships and donations can be broken down as follows:

First Nations/Aboriginal Organizations and Programs

Among the various First Nations/Aboriginal initiatives at CIC, sponsorship dollars are provided to various organizations throughout Saskatchewan, including Treaty 4 Student Success Program, Inter-Provincial Association on Native Employment, Aboriginal Government Employees Network (AGEN) and File Hills Tribal Council – Treaty 4 Pow Wow.

Health and Socially Disadvantaged

CIC sponsors various organizations that address health and the socially disadvantaged in the Province, for example the Alzheimer's Society of Saskatchewan, Multiple Sclerosis (MS) Society, United Way, and the Autism Resource Centre.

Arts and Culture

During 2011, CIC sponsored various arts and cultural organizations and events, such as the Globe Theatre, Cathedral Arts Festival, & the Regina Summer Stage Theatre.

Children and Youth

CIC supports a variety of child and youth organizations and services throughout Saskatchewan. In 2011, some organizations receiving sponsorship from CIC were: Skills Canada-Saskatchewan, Synergy & Community Builders (Drive for Kids Campaign), the Saskatchewan Science Centre and Cando Community School.

Community Sports

Organizations such as the University of Saskatchewan Huskies Football Club, University of Regina Rams Football Club, and Eye Inspire Events (KidsSport) all received CIC support during 2011.

Employee Enablement and Engagement

CIC is committed to promoting and developing employee engagement throughout the organization. It is integral to effective Crown sector oversight that CIC attract and retain employees who are motivated to both learn and perform. CIC recognizes the importance of enabling employees to perform their work without barriers or obstacles as well as ensuring employee skills and abilities are optimally utilized.

In 2011, it was determined that CIC's performance measure for the strategic objective of promoting employee and corporate success could be strengthened. CIC will now measure both employee engagement and employee enablement as opposed to overall employee satisfaction. To evaluate CIC's performance, employee survey results for engagement and enablement will be compared to the Hay Group data bank of North American organizations and deviations determined. Survey results assist in identifying opportunities to further enhance the engagement and enablement of CIC employees. Employee surveys will be conducted bi-annually and balanced scorecard targets will be established for 2013, based on the 2011 baseline results.

Corporate Performance

2011 BALANCED SCORECARD

Measuring Corporate Performance

CIC utilizes a widely accepted performance measurement system known as the Balanced Scorecard. This system is used to establish, communicate and report on key corporate performance targets in a standardized and concise format, very similar to that of a report card. The Balanced Scorecard enables CIC to facilitate strategic execution, accelerate continuous performance improvement while creating greater internal and external accountability and transparency.

The Balanced Scorecard is therefore a means to articulate corporate strategy, motivate the organization to achieve desired targets and to enable the executive and the shareholder to monitor these results.

In terms of reporting, CIC provides its Board with quarterly progress reports on CIC's performance relative to targets in addition to the public annual reporting on past year results and future year forecasts.

CIC's Balanced Scorecard Perspectives

CIC's Scorecard contains four perspectives:

- Crown Sector Oversight;
- Strategic Shareholder Initiatives;
- Asset Management; and
- CIC Internal Operations

Crown Sector Oversight

This perspective highlights CIC's value in leading Saskatchewan's Crown sector through the articulation of the shareholder's business vision and strategy. CIC does this by establishing financial frameworks and performance management objectives and by providing corporate governance guidance and support to the Crowns and their Boards of Directors.

CIC ensures a balance exists between the relative priorities of providing an appropriate return to the people of Saskatchewan and protecting the financial flexibility of CIC and the Crown sector. CIC is committed to continuing efforts to make the Crown sector more open and accountable, and to provide a greater degree of public transparency in the results of the Crown sector's operations.

Strategic Shareholder Initiatives

This perspective challenges CIC to respond to shareholder issues and priorities and provide professional and timely advice to the shareholder. It captures CIC's role in implementing those initiatives to support the Government's strategic objectives for the Crown sector.

Asset Management

This perspective emphasizes CIC's role in supporting and administering an effective divestiture of CIC Asset Management Inc.'s investment portfolio, that optimizes financial outcomes on behalf of the shareholder.

CIC Internal Operations

This perspective challenges the corporation to develop and deploy those tools that enable the corporation to operate in an efficient manner and achieve its goals.

It also recognizes the commitment by CIC to report on the operations of CIC and its subsidiary Crowns and facilitate accountability and transparency. CIC continues to advance its reporting practices so that the information it provides to the CIC Board, the Legislature, and the public is timely, accurate and understandable; and that the information demonstrates the efficient and effective use of resources.

BALANCED SCORECARD RESULTS – 2011

Performance Indicator Key:

- ● Exceeds Target > 120%
- ● On Target 100%
- ● Slightly off Target < 100%
- ● Below Target < 80%
- ● Not Reported this Period

CROWN SECTOR OVERSIGHT			
Strategic Objective	**Performance Measure**	**2011 Target**	**Year End Results**
Effective oversight of the Province's commercial Crown corporations on behalf of the shareholder	**CS1** Performance Assessment by CIC Board Chair	≥ 3.5 (5 point rating scale)	● 4.08
Ensure that the Crown sector is financially sustainable and provides an appropriate return to the people of Saskatchewan	**CS2** CIC dividend and equity repayments to the General Revenue Fund (GRF)	$128.5M (Regular dividend of $110M and a special dividend of $18.5M)	● $128.5M
	CS3 Consolidated ROE Target	8.7%[1]	● 10.9%
	CS4 Consolidated Debt Ratio	55.3%[2]	● 49.8%
Advance best practice standards in the Crown corporations	**CS5** Governance Rating: Benchmarking by the Conference Board of Canada	Rating in Top Quartile	● On Target – Rated in Top Quartile.
	CS6 Reporting and Disclosure Rating: Benchmarking by the Conference Board of Canada	Sector Average Rating of "B+" on previous year Annual Report	● On Target "B+"

STRATEGIC OBJECTIVE	RATIONALE FOR SELECTION OF PERFORMANCE MEASURE(S)	
Effective oversight of the Province's commercial Crown corporations on behalf of the shareholder	**CS1**	Provides for direct assessment by the CIC Board Chair (shareholder's representative) on the relative performance of the holding company in fulfilling the goals and targets set out annually by the shareholder.
Ensure that the Crown sector is financially sustainable and provides an appropriate return to the people of Saskatchewan	**CS2**	Provide an appropriate return to the shareholder in an amount directed by the shareholder.
	CS3	Indicates the level of profitability across the Crown sector by measuring Crown sector returns as a percentage of the equity in the Crown sector. Although the measure cannot be benchmarked to industry on a consolidated basis, results can be compared year over year.
	CS4	Indicates the level of financial flexibility in the Crown sector by measuring Crown sector debt as a percentage of capital (debt plus equity). Higher ratios indicate increased debt burden which may impair the Crown sector's ability to withstand downturns in revenues and still meet fixed payment obligations. The consolidated target comprises the industry benchmarked optimal capital structure of Crowns carrying debt and while not comparable to an industry benchmark, results can be compared year over year.
Advance best practice standards in the Crown corporations	**CS5**	Benchmarking governance to industry standards or best practices by an independent 3rd party ensures that CIC is measuring its performance in a consistent manner and to verifiable standards.
	CS6	Benchmarking financial reporting and disclosure to industry standards or best practices by an independent 3rd party ensures that CIC is measuring its performance in a consistent manner and to verifiable standards.

[1] Target was revised from 8.8% due to an adjustment of retained earnings following the adoption of IFRS.
[2] Target was revised from 55.4% due to an adjustment of retained earnings following the adoption of IFRS.

BALANCED SCORECARD RESULTS – 2011 (CONTINUED)

Performance Indicator Key:

- ● Exceeds Target > 120%
- ● On Target 100%
- ● Slightly off Target < 100%
- ● Below Target < 80%
- ● Not Reported this Period

STRATEGIC SHAREHOLDER INITIATIVES			
Strategic Objective	**Performance Measure**	**2011 Target**	**Year End Results**
Implement key strategic public policy and programs as directed by the shareholder	**SS1** Support the Provincial Innovation Agenda	Establishment of the Institute for Nuclear Studies (Univ. of Sask.)	● On Target
		Development of a major research cyclotron R&D Facility (Univ. of Sask.)	● On Target
	SS2 Support the Provincial "Go Green" strategy and reduction of Crown sector GHG emissions	Implement GHG emission measurement and report across the Crown sector	● On Target
		Financial and project oversight of SaskPower's BD3 ICCS Demonstration Project	● On Target
	SS3 Development and oversight of new public policy programs and initiatives	Sask. Immigrant Investors Fund Inc.	● On Target
		Aboriginal Bursary Program	● Below Target - 69.5/100 were awarded

STRATEGIC OBJECTIVE	RATIONALE FOR SELECTION OF PERFORMANCE MEASURE(S)	
Implement key strategic public policy and programs as directed by the shareholder	**SS1**	Identify CIC's current and ongoing role as directed by its shareholder in support of the Province's Innovation Agenda.
	SS2	Demonstrate CIC and the Crown sector priorities in support of a key governmental environmental initiative.
	SS3	Focus on CIC's role in the leadership and oversight of key governmental public policy programs and initiatives.

BALANCED SCORECARD RESULTS – 2011 (CONTINUED)

Performance Indicator Key:

- Exceeds Target > 120%
- On Target 100%
- Slightly off Target < 100%
- Below Target < 80%
- Not Reported this Period

ASSET MANAGEMENT			
Strategic Objective	**Performance Measure**	**2011 Target**	**Year End Results**
To prudently manage and divest the existing portfolio	**AM1** Number of investments divested	10 Investments[1]	● 6 divested (Premium Brands, Cordy Oilfield Construction, L&M Wood Products, Performance Plants, Centennial Foods, HARO)[1]
To monitor and report on returns achieved by the portfolio	**AM2** Net Income	($7.0M)	● $35.3M
	AM3 Current assets to contingent liabilities ratio	1:1	● 2.6:1
	AM4 Proceeds from investment sales and loan repayments	$38.8M	● $40.8M
	AM5 Distribution to CIC	Per Cabinet Directive	● Cabinet did not direct any payments

STRATEGIC OBJECTIVE	RATIONALE FOR SELECTION OF PERFORMANCE MEASURE(S)	
To prudently manage and divest the existing portfolio	**AM1**	Reports progress towards fulfilling the shareholder mandate to divest the entire investment portfolio assets formerly held by Investment Saskatchewan Inc.
To monitor and report on returns achieved by the portfolio	**AM2**	CIC is mandated to manage and divest the assets, optimizing financial outcomes. This is measured using the net earnings as stated on the CIC AMI quarterly and year-end consolidated statement of operations and retained earnings.
	AM3	Measures the ability to fund its environmental liabilities from internal cash flow.
	AM4	Reports on progress toward achieving financial returns from the divestiture of the assets.
	AM5	Reports the value of return to the shareholder on an annual basis.

[1] The 2011 target of 10 investments included two investments that were subsequently divested in 2010, which was earlier than anticipated (Stegg, Axia Netmedia); lowering the anticipated divestiture result during 2011 by two exits.

BALANCED SCORECARD RESULTS – 2011 (CONTINUED)

Performance Indicator Key:

- ● Exceeds Target > 120%
- ● On Target 100%
- ● Slightly off Target < 100%
- ● Below Target < 80%
- ● Not Reported this Period

CIC INTERNAL OPERATIONS			
Strategic Objective	**Performance Measure**	**2011 Target**	**Year End Results**
Advance best practices in CIC's reporting and disclosure	**IC1** Meet financial and performance reporting requirements	Quarterly and Annual Reports released on time	● On Target
	IC2 Rating against peers: Benchmarking by the Conference Board of Canada	Rating of "B+"	● "B" Slightly below target
Prudent management and control of corporate resources	**IC3** Operating Expenditures	Within Budget	● Within Budget
	IC4 Capital Expenditures	Within Budget	● Within Budget
	IC5 Staffing Level	Within Budget	● Within Budget
Promote employee and corporate success	**IC6** Overall employee satisfaction[1]	>78%	● Engagement below target ● Enablement is above target

STRATEGIC OBJECTIVE		RATIONALE FOR SELECTION OF PERFORMANCE MEASURE(S)
Advance best practices in CIC's reporting and disclosure	**IC1**	Release of financial and performance reporting is governed by policy, and in some cases such as CIC's Annual Report, by legislation.
	IC2	Benchmarking to industry standards or best practices by an independent 3rd party ensures that CIC is measuring its performance in a consistent manner and to verifiable standards.
Prudent management and control of corporate resources	**IC3**	CIC is given the authority to make expenditures within the operating budget as approved annually by the CIC Board of Directors.
	IC4	CIC is given the authority to make expenditures within the capital budget as approved annually by the CIC Board of Directors.
	IC5	CIC is given the authority of maintaining staffing levels within the budget and guidelines as approved annually by the CIC Board of Directors.
Promote employee and corporate success	**IC6**	Benchmark employee satisfaction by direct feedback from employees on a bi-annual employee satisfaction survey.

[1] As approved by CIC Executive, CIC no longer measures overall employee satisfaction as an indicator for employee and corporate success. CIC now measures employee enablement and engagement. The results are derived from a series of responses in the bi-annual employee survey.

PERFORMANCE DISCUSSION

2011 Performance Results

The 2011 Balanced Scorecard results highlight CIC's commitment to a skilled and enabled workforce focused on Corporate and Crown sector success. Performance met or exceeded targets in all but a few areas. A discussion of the results and any future actions to drive performance are outlined under each scorecard perspective below:

Crown Sector Oversight

- 2011 Results – CIC continued its strong and effective level of support to the CIC Board in its strategic oversight capacity. The Crown sector was well aligned with the Government's priorities; key to ensuring Crown sector financial sustainability, as measured by the on or above target results for ROE, debt ratio and dividends to the GRF. The Conference Board of Canada continues to rate highly CIC and the Crown sector's performance against best practice accountability standards.
- 2012 Action Plans – Given the level of renewal and growth in the Crown sector, key areas of focus in 2012 are to ensure effective, regular communication of strategic priorities to Crown Boards, Crown management and other key stakeholder groups, to ensure the financial health of the Crown sector is comparable to industry benchmarks and that sufficient capital is available to meet capital investment needs.

Strategic Shareholder Initiatives

- 2011 Results – CIC successfully achieved its goals to implement/establish a number of public policy initiatives. These initiatives advance the Government's priorities to provide access to affordable housing, promote research and development and the commercialization of advanced technologies in the nuclear, health and energy industries. CIC placed only 70 per cent of the planned aboriginal bursaries due to administrative processes at the educational institutions.
- 2012 Action Plans – CIC will continue to foster the initiatives established in 2011 particularly in the advancement of innovative technologies, clean energy and affordable housing. CIC is working with the educational institutions to clarify processes and ensure that students receive the maximum bursaries available under the Aboriginal Bursary Program.

Asset Management

- 2011 Results – CIC progressed with its divestiture strategy completing 8 of its 10 sales planned for 2011 (2 in late 2010 after the 2011 targets were developed and 6 in 2011). The lower than target results were partially impacted by market volatility in 2011 that weakened investor confidence and reduced opportunities to divest. The strong earnings and assets to contingent liabilities ratio are due to a change in management's estimates in the expected costs of remediation and reinsurance liabilities.
- 2012 Action Plans – CIC plans to pursue exit options that will reduce the number of investments requiring active management and divest of its remaining 23 investments on a timely basis, over the next two years, dependent on provisions in investment agreements and market conditions.

CIC Internal Operations

- 2011 Results – CIC achieved its goal of maintaining expenditures at the 2010 level. Based on recommendations from an external advisor on better measures to assess workforce effectiveness, CIC revised its employee satisfaction measure to two measures: employee engagement and enablement. An employee survey was conducted in 2011 and will serve as a base line for future targets and action plans. Compared to the overall North American norm, results were mixed with engagement below best employer levels given that CIC is a small organization with limited career advancement opportunities. Enablement results were above best employer levels due to CIC's commitment to developing employee skills and knowledge, thereby empowering employees to do their jobs well. The Conference Board of Canada assessed CIC's 2010 Annual Report disclosure slightly behind target with opportunities for improvement in areas such as executive compensation, risk mitigation strategies, methodologies for key metrics and stakeholder feedback mechanisms.
- 2012 Action Plans – CIC plans to enhance its 2011 Annual Report disclosure in areas identified by the Conference Board and develop strategies to improve and maintain employee engagement and enablement in response to the 2011 employee surveys.

STAKEHOLDER FEEDBACK

In CIC's pursuit to maintain the value it provides to its stakeholders, CIC undertakes an annual stakeholder feedback process. Each stakeholder group is surveyed regarding the value of the functions performed by CIC. The key strategic stakeholder groups for CIC include:

- CIC Board of Directors (as the representative of the shareholder to ensure mandates and activities are consistent with the interest and intent of Government);
- Subsidiary Crown Boards of Directors (as the stewardship body with fiduciary duty to the Crowns' operations); and,
- Subsidiary Crown Executives (as the corporations' management bodies to conduct operations under the Boards' stewardship and direction).

The subsidiary Crown Board and Crown Executive surveys are administered by an independent agency to ensure confidential disclosure and unbiased interpretation of results. In the case of the CIC Board, which CIC has direct responsibility to; the survey is administered by CIC's CEO.

The following chart illustrates the criteria on which each stakeholder group is surveyed:

Assessed Criteria	CIC Board of Directors	Crown Subsidiary Board of Directors	Crown Subsidiary Executives
Fulfilling its Mission	✓		
Direct Board Services & Support	✓		
Governance & Strategic Direction	✓*	✓	✓
Performance Management	✓*	✓	✓
Capital Allocation	✓*	✓	✓
Preparation of Board/Cabinet Materials	✓	✓	✓
Strategic Human Resources	✓*	✓	✓
Information Sharing		✓	
Corporate Secretary Services		✓	
Financial & Reporting Policies			✓
Communications Coordination & Strategy	✓*		✓
Legal, Procedural and Legislative Advice			✓
Financial Management	✓		
Oversight of Government Initiatives	✓		
CIC's Operations & Administration	✓		

*Oversight on a Crown sector wide basis.

The following discussion includes CIC's action plans that address the stakeholder feedback. CIC is committed to identifying ways to improve its performance throughout 2012.

Survey Information

Crown Board Survey: CIC received a performance rating of 4.25 out of 5 from the Subsidiary Board Survey, with an overall response rate of 84 per cent.

Crown Executive Survey: CIC received a performance rating of 3.77 out of 5 from the Crown Executive Survey, with a response rate of 71 per cent.

CIC Board Survey: CIC received a performance rating of 4.08 out of 5 from the CIC Board.

Executive Discussion

Overall, CIC's 2011 performance ratings were positive. The results in many areas exceed CIC's minimum standard for service. CIC was rated favorably for providing legal, procedural, legislative and direct Board services. Respondents were generally pleased with how CIC fulfilled its mandate, managed financials and facilitated capital allocation. Resulting from the survey, CIC identified areas to improve its overall performance. A discussion of the results and CIC's future actions are provided below.

1. Respondents felt CIC could improve its communication of shareholder direction.

   2012 Action Plan

   In 2012, CIC intends to enhance communication of shareholder direction to Crown Boards and Executive. CIC has committed to a timely release of planning documents, such as the Performance Management Improvement Plan (PMIP), which outlines the broad sector priorities; addresses best practice for balanced scorecards and provides Crowns with improvement suggestions specific to their organizations. CIC will facilitate regular planning forums to engage subsidiary Crown corporations in discussing shareholder direction and Crown sector planning.

2. Crowns would benefit from improved coordination and communication of Crown sector human resource policy, specifically regarding collective bargaining and human resource best practice. Additionally, both Crown Board members and Executives felt it was important for the Crown sector to remain competitive in the labour market.

   2012 Action Plan

   CIC's 2012 corporate plan includes three measures regarding Crown sector human resource policy. To support Crown labour relations, CIC will develop a collective bargaining framework for the Crown sector. CIC will also monitor executive compensation and perform a market update, and facilitate regular forums with senior human resource professionals from the Crown sector.

3. Survey results also indicated some respondents were not aware of the Crown Sector Policy Manual.

   2012 Action Plan

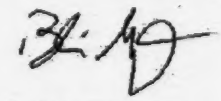
   In 2012, CIC will conduct a review of the Crown Sector Policy Manual, to update existing policies and remove any unneeded policies. CIC will increase awareness of the Policy Manual throughout the Crown sector and enable access to all Crown employees and Board members rather than limiting access to those in the policy field.

Statement of Reliability

I, R.W. (Dick) Carter, the President and Chief Executive Officer of Crown Investments Corporation of Saskatchewan, and I, Blair Swystun, the Senior Vice President and Chief Financial Officer of Crown Investments Corporation of Saskatchewan, certify that we have reviewed the balanced scorecard performance results included in the Annual Report of Crown Investments Corporation of Saskatchewan.

Based on our knowledge, having exercised reasonable diligence, the performance results included in the Annual Report, fairly represent, in all material respects, CIC's performance results as of December 31, 2011.

R.W. (Dick) Carter, FCA
President & CEO



Blair Swystun, CFA
Senior Vice President & CFO

March 29, 2012

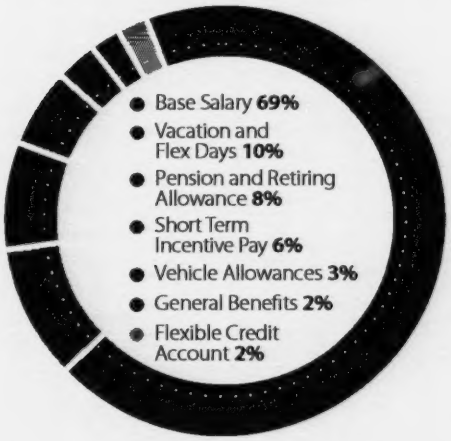
EXECUTIVE COMPENSATION

Independent and Objective

Consistent with best practice and to ensure objectivity, in 2006 the CIC Board directed CIC to engage an external consultant to review Crown sector executive compensation practices and assist in the development of a new Executive Compensation Framework. The current Crown Sector Executive Compensation Framework was implemented in 2006.

In order to maintain a meaningful degree of competitiveness with the external market, the CIC Board undertakes a review of the Framework every 2-3 years. In 2009, an external consultant was engaged to conduct a review to assess the degree to which Crown executive compensation remained aligned with the framework's stated philosophy and the external market. Based on this review, the CIC Board determined that no adjustments were warranted at that time.

2011 Executive Compensation


Base Salary 69%
Vacation and Flex Days 10%
Pension and Retiring Allowance 8%
Short Term Incentive Pay 6%
Vehicle Allowances 3%
General Benefits 2%
Flexible Credit Account 2%

Framework

CIC has designed and administers executive compensation consistent with the CIC Board and Cabinet's Crown Sector Executive Compensation Framework and is committed to a "total compensation" perspective.

Crown sector compensation maintains a meaningful degree of competitiveness with the relevant external labour markets, targeting to achieve +/- 15 per cent of the 50th percentile of market comparators (i.e., be in the middle of the group).

Compensation

Each of CIC's executives receives a comprehensive group benefits package and is eligible for an annual short-term incentive program, in addition to their base pay. The 2011 Executive Compensation chart above breaks down the percentage (%) each component contributed to total compensation in 2011.

As required by *The Crown Employment Contracts Act*, the CEO and direct reports of the CEO, including all executive members, report the details of their compensation and benefits to the Clerk of Executive Council. These filings are available for public review.

The Standing Committee on Crown and Central Agencies requires all Crown corporations to file an annual payee list which includes remuneration information for executive members.

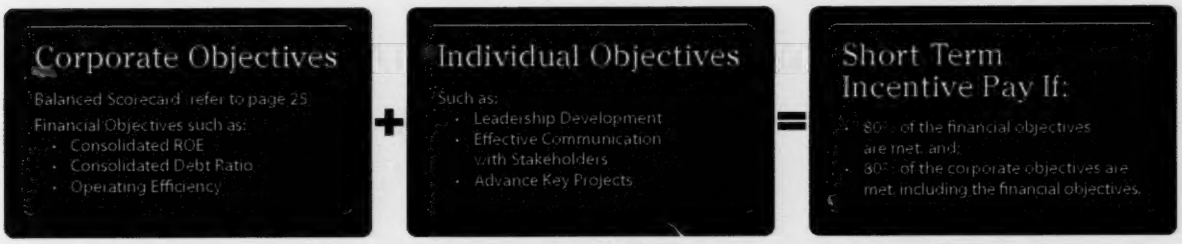
The Payee Disclosure Report is available on CIC's website, *www.cicorp.sk.ca*. The CIC Board reviews the details of these expenditure reports annually.

Consistent with CIC Board and Cabinet approved ranges, the CIC base salary ranges for 2011 were:

POSITION	BASE SALARY RANGE
CEO	$241,900 - $302,375
Executive 1	$205,614 - $257,018
Executive 2	$174,773 - $218,466

Eligibility for Short Term Incentive Pay

Executive STI pay is based on both corporate and individual objectives and demonstrated results against those objectives.


Corporate Objectives
Balanced Scorecard (refer to page 25
Financial Objectives such as:
• Consolidated ROE
• Consolidated Debt Ratio
• Operating Efficiency
+
Individual Objectives
Such as:
• Leadership Development
• Effective Communication with Stakeholders
• Advance Key Projects
=
Short Term Incentive Pay If:
• 80% of the financial objectives are met; and;
• 80% of the corporate objectives are met, including the financial objectives.

Performance Management and Pay at Risk

CIC's corporate STI targets are directly linked to all, versus a subset of, CIC Balanced Scorecard (BSC) targets. Key areas of BSC responsibility specific to each Executive member are weighted more heavily than other areas for STI payout determination. Linking each Executive to all BSC targets incents a collaborative, team approach to achieving corporate targets. The financial component is separately measured to focus CIC Executive on protecting CIC and Crown sector financial sustainability and on providing an appropriate return to the people of Saskatchewan. The CIC Board receives quarterly progress reports regarding performance against BSC targets. Refer to page 25 for information regarding the rationale linking BSC targets to performance.

STI targets are stretch goals and are objective, quantifiable and within the span of control and/or influence of management. For the corporate component, CIC's Executive STI measures and targets are established equivalent to the annual BSC measures and targets. STI targets may be more challenging than BSC targets but cannot be less challenging than the BSC targets.

Following the end of the fiscal year, each Executive summarizes his performance for the year against the pre-set objectives and targets. A discussion between the CEO and each Vice-President occurs regarding demonstrated results on both a corporate and individual basis. The CEO determines a final performance score for each Vice-President. Similarly, the CIC Board Chair reviews and discusses the CEO's annual performance results.

The CIC Board annually reviews and approves CIC's executive performance including STI targets. The weighting ranges for each component are:

POSITION	CORPORATE WEIGHTING	INDIVIDUAL WEIGHTING
CEO	90 – 80%	10 – 20%
Executive 1 and Executive 2	85 – 70%	15 – 30%

Future Outlook

2012 CORPORATE DIRECTION AND PRIORITIES

Crown Sector Oversight

- Ensure the Crown Sector Strategic Plan reflects the priorities and policies of the shareholder and revise, or provide a supplement, if required.
- Prudently monitor the financial performance of the Crown sector with respect to the financial return to the GRF.
- Monitor, assess and report on cost efficiencies in the Crown sector.
- Continuous process improvement in the Crown sector performance management/measurement system.
- Review and possible revision of the Crown subsidiary decision matrix.
- Identify, develop and promote best practices in corporate governance and human resources in the Crown sector.

Strategic Shareholder Initiatives

- Carbon Capture & Sequestration research, development and demonstration.
- Crown sector infrastructure/financial health and sustainability/rates.
- Efficiency gains across the Crowns.
- Coordination of activities and initiatives among the Crowns.
- Management of Immigrant Investor Funds and the Headstart on a Home Program.

Asset Management/Divestiture

- Number of investments actively managed - 16 Investments (reduction of 7 from December 31, 2011).
- Work with other shareholders and investee companies to position CIC AMI to exit its investments as opportunities arise.
- Manage environmental liabilities, provide annual updates quantifying potential liabilities and mitigate where possible.
- Asset Management wind-down strategy.

CIC Internal Operations

- Ensure CIC is effectively structured to support the Government's priorities for the Crown sector.
- Limit operating costs to 0 per cent increase over 2011 (excluding approved economic salary adjustments).
- Refresh job descriptions, job classifications and verify internal equity and ensure external competitiveness.

2012 PERFORMANCE TARGETS

CROWN SECTOR OVERSIGHT

This perspective highlights CIC's value in leading Saskatchewan's Crowns on behalf of the shareholder. CIC does this by communicating shareholder direction, establishing financial frameworks and performance management objectives and by providing corporate governance guidance and support to the Crowns and their Boards of Directors. CIC balances the relative priorities of providing an appropriate return to the people of Saskatchewan and protecting the financial flexibility of CIC and the Crown sector. CIC is committed to ensuring the Crown sector is more open and accountable, and providing a greater degree of public transparency in the results of the Crown sector's operations.

Strategic Objective	Performance Measure	2012 Target
Effective oversight of the Province's commercial Crown corporations on behalf of the shareholder	**CS1** Performance assessment by CIC Board Chair	≥ 3.5 (5 Point Rating Scale)
Ensure that the Crown sector is financially sustainable and provides an appropriate return to the people of Saskatchewan	**CS2** CIC dividend and equity repayments to the General Revenue Fund (GRF)	• $273.0M dividend • Up to $150.0M equity repayment
	CS3 Consolidated Return on Equity Target	8.3%
	CS4 Consolidated Debt Ratio	60.7%
Advance best practice standards in the Crown corporations	**CS5** Governance Rating: Benchmarking by the Conference Board of Canada	Non reporting year of a 3 year cycle.
	CS6 Reporting and Disclosure Rating: Benchmarking by the Conference Board of Canada	Non reporting year of a 2 year cycle.

STRATEGIC OBJECTIVE	RATIONALE FOR SELECTION OF PERFORMANCE MEASURE(S)
Consistent with Strategic Objectives listed above	**CS1 – CS6** Consistent with rationale included on the 2011 Balanced Scorecard.

STRATEGIC SHAREHOLDER INITIATIVES

This perspective challenges CIC to understand and assess emerging issues by providing professional and timely advice and guidance to the shareholder. It captures CIC's role in implementing initiatives that support the Government's strategic objectives for the Crown sector.

Strategic Objective	Performance Measure	2012 Target
Implement key strategic public policy and programs as directed by the shareholder.	**SS1** Support the Provincial Innovation Agenda	Transfer project management to Innovation Saskatchewan. Evaluate clean energy research and demonstration opportunities with Saskatchewan based research organizations.
	SS2 Report on Crown sector efficiency initiatives	Submit annual report to the CIC Board
	SS3 Support the Provincial "Go Green" strategy and reduction of Crown sector GHG emissions	Annual reporting of Crown sector GHG emissions through The Climate Registry
	SS4 Oversight of new public policy programs and initiatives	300 units under construction 100 bursaries 4 businesses to receive funds

STRATEGIC OBJECTIVE	RATIONALE FOR SELECTION OF PERFORMANCE MEASURE(S)
Implement key strategic public policy and programs as directed by the shareholder.	**SS1, SS3 & SS4** Consistent with rationale included on the 2011 Balanced Scorecard.
	SS2 To monitor Crown progress towards achieving Government's initiative on efficiency.

2012 PERFORMANCE TARGETS (CONTINUED)

ASSET MANAGEMENT/DIVESTITURE

This perspective deals with CIC's role in supporting and administering an effective divestiture of CIC Asset Management Inc.'s investment portfolio that optimizes financial and public policy outcomes on behalf of the shareholder.

Strategic Objective	Performance Measure	2012 Target
To prudently manage and divest the existing portfolio	**AM1** Number of investments actively managed	16 investments (reduction of 7 from December 31, 2011)
To monitor and report on returns achieved by the portfolio	**AM2** Current assets to environmental liabilities ratio	1:1
	AM3 Proceeds from investment sales and loan repayments	$16.25M
	AM4 Distribution to CIC	Per CIC Board directive

STRATEGIC OBJECTIVE	RATIONALE FOR SELECTION OF PERFORMANCE MEASURE(S)
To prudently manage and divest the existing portfolio	**AM1** Consistent with rationale included on 2011 Balanced Scorecard.
To monitor and report on returns achieved by the portfolio	**AM2** Measures the ability to fund its environmental liabilities from internal cash flow.
	AM3 Reports on progress toward achieving financial returns from the divestiture of the assets.
	AM4 Reports the value of return to the shareholder on an annual basis.

INTERNAL CIC OPERATIONS

This perspective challenges CIC to develop and deploy those tools that enable the corporation to operate efficiently and achieve its goals. It also recognizes CIC's commitment to report on the operations of CIC and its subsidiary Crowns and facilitate accountability and transparency. CIC continues to advance its reporting practices to ensure that information it provides to the CIC Board, the Legislature, and the public is timely, accurate and understandable.

Strategic Objective	Performance Measure	2012 Target
Advance best practices in CIC's reporting and disclosure	**IC1** Meet financial and performance reporting requirements	Quarterly and Annual Reports released on time
	IC2 Benchmarking by the Conference Board of Canada	Non reporting year of a 2 year cycle
Prudent management and control of corporate resources	**IC3** Operating Expenditures	Within Budget
	IC4 Capital Expenditures	Within Budget
	IC5 Staffing Level	Within Budget
	IC6 Oversight of Capital Pension & Benefits	Implement governance protocol for Group Benefits Program
Promote employee and corporate success	**IC7** Employee Engagement	Non reporting year of a 2 year cycle
	IC8 Employee Enablement	Non reporting year of a 2 year cycle

STRATEGIC OBJECTIVE	RATIONALE FOR SELECTION OF PERFORMANCE MEASURE(S)
Advance best practices in CIC's reporting and disclosure	**IC1 – IC2** Consistent with rationale included on the 2011 Balanced Scorecard.
Prudent management and control of corporate resources	**IC3 – IC5** Consistent with rationale included on the 2011 Balanced Scorecard.
	IC6 Enhance governance as part of CIC's oversight and sponsorship role.
Promote employee and corporate success	**IC7** Benchmark employee engagement by direct feedback from employees by independent 3rd party. Potential to further benchmark against other corporate entities.
	IC8 Benchmark employee enablement by direct feedback from employees by independent 3rd party. Potential to further benchmark against other corporate entities.

RISK MANAGEMENT

In 2012, CIC is committed to designing and implementing an internal risk management process, which will involve:

- Identifying risks;
- Analyzing and quantifying risk impact;
- Assessing and prioritizing risks;
- Establishing strategies for controlling risk; and
- Monitoring and reporting.

While CIC's risk management process has not been formalized, CIC's risks as a holding company and the processes used to mitigate those risks are discussed below.

Risks for the Holding Company

CIC is required to provide a dividend to the Province's GRF, through which Government initiatives and programs are funded. Cabinet sets CIC's dividend payment based on the GRF fiscal requirements and in relation to CIC's expected earning power. CIC's earnings are determined in large part by dividends collected from the subsidiary Crowns, and will fluctuate due to inherent business risk in the Crown sector. CIC's ability to pay its dividend to the GRF is dependent on the financial success of its subsidiaries. In order to meet the growth demands of the province, the sector requires financial capital to invest in infrastructure and improve service delivery, ensuring the sustainability of the Crown sector.

On behalf of the shareholder, CIC provides strategic oversight of the Crown sector. CIC balances competing Government commitments that guarantee accessible and affordable Crown services, with a sustainable Crown sector. Pending retirements, coupled with accelerated growth in Saskatchewan create a risk that Crowns will lack the human capital required to meet the growth demands of the Province.

CIC is committed to ensuring Saskatchewan residents receive the best value from their Crowns. As publically owned corporations, a risk for the Crown sector is the potential to lose public confidence. As such, CIC is focused on being accountable to the public, in its operations, decision making and spending patterns.

Mitigation

Performance Management Framework

Annually, Crowns submit their Business and Performance Plans to the CIC Board for review and approval. To ensure Crown financial and performance targets are achieved in the current year and sustainable in the future, Crowns are required to provide quarterly performance management reports to CIC. CIC manages Crown performance through the following functions;

- Forecasting available cash flows over the year for dividend payments to the GRF;
- Ensuring its subsidiary Crowns have sufficient capital available to maintain and/or expand existing infrastructure;
- Ensuring its subsidiaries have sufficient human capital available; and,
- Examining capital structures of its subsidiaries (generally consisting of debt and equity) to maintain financial health through operating grants.

CEO/CFO Certification Policy

CIC has instituted a CEO/CFO Certification Policy that mirrors Sarbanes Oxley (SOX) certification policies for publically traded companies. CIC has instituted the certification policy to mitigate financial reporting risk for CIC and its subsidiary Crown corporations.

Enterprise Risk Management (ERM) Policy

All subsidiary Crown corporations are required to have appropriate and consistent enterprise risk management frameworks in place. To ensure this, CIC has developed an ERM minimum standards policy that all subsidiary Crowns are required to comply with. CIC's minimum standards for Crown risk management frameworks are consistent with ERM leading practices. ERM involves:

- Identifying risks;
- Analyzing and quantifying risk impact;
- Assessing and prioritizing risks;
- Establishing strategies for controlling risk; and
- Monitoring and reporting.

The subsidiary Crown corporations are expected to participate in regular, formal risk management reporting both internally, and to CIC. CIC will report comprehensively on risk management for each Crown corporation to the CIC Board beginning in 2012. This policy was approved by the CIC Board of Directors in 2010.

Competitive Salaries and Benefits

CIC is committed to providing competitive salaries and benefits to employees. CIC, along with the subsidiary Crowns are focused on securing a future workforce through proactive succession planning and recruitment efforts. CIC recognizes the value professional development adds to corporate success and employee retention, and has created a learning environment that encourages employee training and development.

Centralized Governance Services

CIC delivers centralized corporate secretary and governance advisory services to the Crown Boards, and supports Boards in identifying director skill sets required to function effectively. CIC sponsors a chartered director certification program to enhance Board members' overall skills.

Information Integrity

CIC has secured and dedicated facilities for its financial transactions, and incorporates oversight and policies towards the complete protection of corporate resources. CIC deploys off site back up, archives and disaster recovery processes to ensure the safeguarding of corporate information.

Introduction to CIC's Financial Reporting

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42 CIC Separate Financial Statements

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46 Subsidiary Dividend Policy

46 CIC Dividend Policy

47 Capital Structures of Subsidiary Corporations

48 Liquidity

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PREFACE

The purpose of the following discussion is to provide the users of CIC's financial statements with an overview of the Corporation's financial performance and the various measures CIC uses to evaluate its financial health. This narrative on CIC's 2011 financial results should be read in conjunction with the audited consolidated and separate financial statements.

Producing two different views of CIC's operations and results, with consolidated and separate financial statements, is a cornerstone of our commitment to accountability and transparency. Explanations of the differing purposes of these statements are provided in the next pages.

In addition to the information on CIC's 2011 results, discussions also provide detailed information regarding our performance relative to our business plan, and what this means for the Crown sector in the future.

FORWARD-LOOKING INFORMATION

Throughout the Annual Report, and particularly in the following discussion, are forward-looking statements. These statements can be recognized by terms such as "outlook", "expect", "anticipate", "project", "continue", or other expressions that relate to estimations or future events. By their nature, forward-looking statements require assumptions based on current information, management experience and historical performance. Forward-looking information is subject to uncertainties, and, as a result, forward-looking statements are not a guarantee about the future performance of CIC and its subsidiary Crown corporations.

Readers should not place undue reliance on forward-looking statements, as a number of factors could cause actual results to differ materially from estimates, predictions and assumptions. Other factors that can influence performance include, but are not limited to: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, performance, competition and regulatory environment. Given these uncertainties, assumptions contained in the forward-looking statements may or may not occur.

Understanding CIC's Financial Statements

CIC prepares two sets of financial statements: consolidated financial statements and separate financial statements.

CIC CONSOLIDATED FINANCIAL STATEMENTS

These statements illustrate CIC's results consolidated with the results of its subsidiary corporations. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and include:

- Financial results of subsidiary Crown corporations (SaskPower, SaskTel, SaskEnergy, SGI, ISC, SGC, STC, SaskWater, SOCO, and SDFC);
- Financial results for CIC's wholly-owned subsidiaries (Gradworks Inc., CIC Economic Holdco Ltd., First Nations and Métis Fund Inc., CIC Apex Equity Holdco Ltd., Saskatchewan Immigrant Investor Fund Inc. and CIC AMI);
- Dividends paid by CIC to the General Revenue Fund (GRF); and
- CIC's operating results and public policy expenditures.

Consolidated earnings represent the total earnings in the Crown sector, taking into consideration the elimination of all inter-entity transactions (i.e., revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC).

CIC SEPARATE FINANCIAL STATEMENTS

Separate earnings represent CIC's earnings as the shareholder of the Saskatchewan Commercial Crown sector. These statements assist CIC in determining its capacity to pay dividends to the GRF. The separate statements have not been and are not intended to be prepared in accordance with IFRS. These statements are intended to isolate the corporation's cash-flow, capital support for certain subsidiary corporations, and public policy expenditures. These financial statements include:

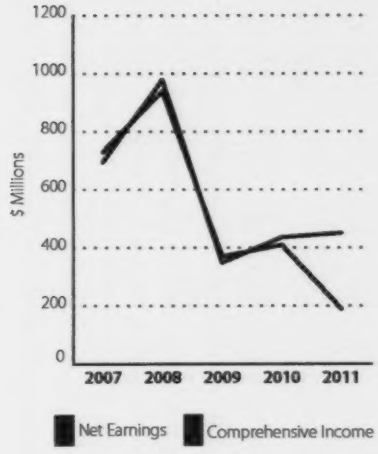
- Dividends from subsidiary Crown corporations;
- Dividends paid by CIC to the GRF;
- Grants by CIC to subsidiaries; and
- CIC's operating results and public policy expenditures.

CIC's 2011 Financial Highlights

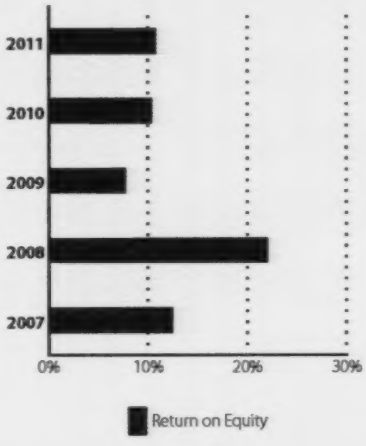
	2011	2010	2009[1]	2008[1]	2007[1]
CIC Consolidated					
Net Earnings	$ 450.9	$ 436.3	$ 348.7	$ 978.2	$ 696.3
Assets	12,003.1	11,066.3	10,256.3	10,586.4	9,630.9
Debt[2]	4,701.8	4,440.9	4,205.9	4,033.6	3,858.0
Debt Ratio	49.8%	49.7%	47.5%	44.4%	45.9%
Dividend to the GRF	128.5	471.0	755.0	365.0	200.0
Return on Equity	10.9%	10.5%	7.9%	22.2%	17.8%
CIC Separate					
Dividend Revenue	$ 213.9	$ 276.1	$ 258.1	$ 773.4	$ 221.1
Net Earnings	167.1	236.0	176.7	749.3	576.9
Cash Return on Equity	7.8%	27.1%	36.8%	16.5%	10.5%

[1] Comparative results from 2009, 2008 and 2007 were prepared under former Canadian Generally Accepted Accounting Principles.
[2] Consolidated debt includes long-term debt, long-term debt due within one year and notes payable.

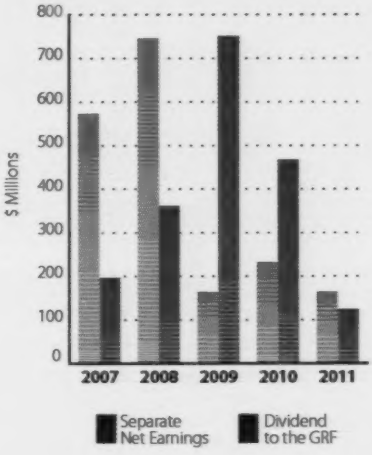
Consolidated Earnings



Consolidated Return on Equity



Separate Net Earnings and Dividends to the GRF



Information from 2011 and 2010 has been prepared under International Financial Reporting Standards. Historical information from 2007 to 2009 has been prepared under former Canadian Generally Accepted Accounting Principles.

Achieving Corporate Priorities in 2011

A BALANCED APPROACH TO SHAREHOLDER RETURN

- CIC is focused on providing a reasonable return to the Province. This priority must be balanced with its public policy initiatives.
- CIC declared and paid a dividend of $128.5 million to the GRF.
- CIC's consolidated return on equity was 10.9 per cent.
- These returns were accomplished while supporting the following public policy initiatives:
  - Saskatchewan EnerGuide for Houses;
  - Infrastructure grants to SaskTel;
  - Gradworks Inc., an internship program for the Crown sector;
  - STC transportation routes in the province;
  - SaskPower carbon capture and storage initiative;
  - Saskatchewan's hybrid vehicle rebate program administered by SGI through the Saskatchewan Auto Fund;
  - First Nations and Métis Fund Inc., a venture capital fund focusing on the aboriginal small business sector;
  - CIC Apex Equity Holdco Ltd., a joint venture interest in Apex Investment Limited Partnership, which focuses on small and medium sized business sectors; and
  - Saskatchewan Immigrant Investor Fund Inc. (SIIF), a corporation established to participate in the Government of Canada's Immigrant Investor Program (IIP). SIIF will use IIP funds to deliver the Headstart on a Home program that assists builders and developers in building affordable housing in Saskatchewan communities.

FINANCIAL SUSTAINABILITY

- CIC monitors the financial resources of the Crown sector to ensure that financial performance targets are achieved in the current year and that the financial sustainability of the Crown sector is maintained for the future. This includes important functions such as:
  - Ensuring Crown corporations have sufficient capital available to maintain and/or expand existing infrastructure;
  - Examining capital structures of Crown corporations (generally consisting of debt and equity) to maintain financial health; and
  - Forecasting available cash flows over the planning horizon for dividend payments to the GRF.
- All decisions that impact financial resources, such as dividends from the Crown sector, dividends to the GRF, or funding of a public policy initiative, are assessed within the context of financial self-sufficiency, while contributing to the Government's priorities for the Crown sector.

- During 2011, CIC's allocation of financial resources included the following:
  - Support of the above noted public policy initiatives;
  - Declaration and payment of a dividend to the GRF of $128.5 million; and
  - Approval of capital spending plans of subsidiary Crown corporations.

ENHANCING ACCOUNTABILITY

- CIC continues to advance its financial reporting practices in support of transparency and accountability. Examples of current practices to facilitate accountability include:
  - Quarterly reports for the Crown sector, available to the public via CIC's website;
  - Disclosure of budget information in the Government's summary financial plan;
  - Detailed disclosure of Crown sector payments via CIC's website;
  - Annual publication of CIC's separate financial statements to report on CIC as a holding company;
  - Within the annual reports, comparisons of Crown sector results to business plan targets;
  - Providing Internal Audit services to certain CIC subsidiary Crown corporations;
  - Requiring CEO/CFO certification of internal controls over financial reporting; and
  - Developing policies and practices to ensure an appropriate and consistent risk management framework is in place for all subsidiary Crown corporations.
- CIC continuously evaluates new standards for financial reporting and corporate governance.

Managing Capital Resources in the Crown Sector

CIC has a diverse range of holdings. A key priority for CIC is to manage the capital resources employed within the consolidated group of entities to optimize value in the Crown sector and also provide a return to the Province's GRF.

CIC manages this priority through its capital allocation framework, which is based on two integrated policies. These policies are based on the principle that there are three potential uses for cash profits:

- **Reinvestment** in our businesses to sustain infrastructure and operations, to grow and diversify revenues, and support public policy initiatives and economic development;
- **Debt reduction** to support the financial flexibility of CIC's operations; and
- **Dividends** to the holding company to be used in accordance with the CIC Dividend Policy.

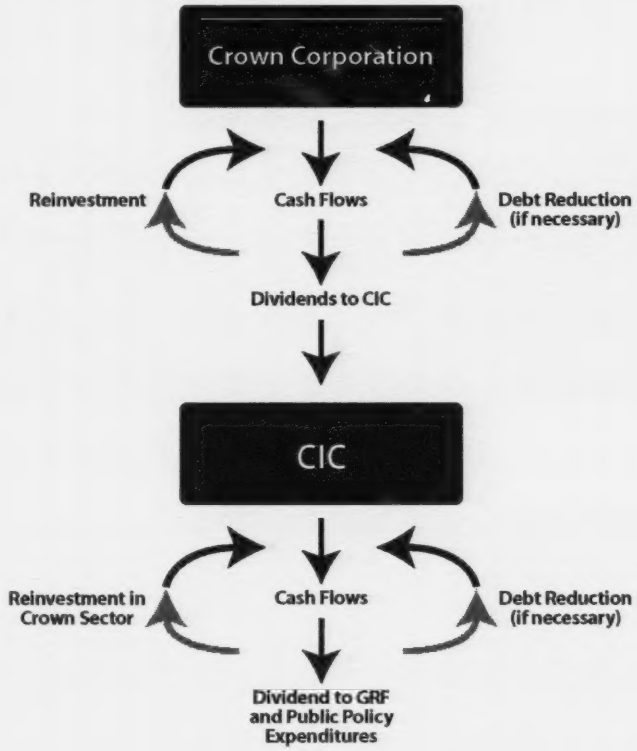
The Subsidiary Dividend Policy focuses on managing capital resources to support the investment needs and business viability of the various business segments over the medium term. The policy ensures that the investments provide a return to the Saskatchewan stakeholders in support of programs paid for from the GRF.

SUBSIDIARY DIVIDEND POLICY

Each commercial Crown's ability to pay dividends is determined after the CIC Board allocates a portion of cash profits to reinvestment and debt reduction. The CIC Board has approved debt and capital structure targets for CIC's subsidiaries based on industry benchmarks. Therefore, for subsidiaries that pay dividends, the amount paid is determined in relation to the target capital structure compared to the actual capital structure.

CIC DIVIDEND POLICY

In a similar way, cash paid by subsidiary Crown corporations is used by CIC for reinvestment, and dividends to the GRF. CIC, as the holding company, does not have any debt. As well, CIC uses funds to support public policy initiatives.



In 2011, CIC allocated $276.1 million of capital as follows:

Reinvestment and Public Policy Expenditures

- $136.5 million in grant funding provided to SaskPower, SaskEnergy, STC, SaskTel, SGI and Gradworks.
- $8.1 million in equity provided to Apex Investment Limited Partnership for investment in Saskatchewan enterprises.
- $3.0 million provided to First Nations and Métis Fund Inc. to provide venture capital to qualifying First Nations and Métis businesses.

Dividend:

- GRF dividend of $128.5 million in 2011.

Debt Reduction:

- No funds were used for debt repayment as CIC (separate) does not carry debt.

CIC's ability to pay dividends to the GRF depends mainly on the level of Crown dividends to CIC, less CIC's operating costs. These costs include support to non-dividend paying Crown corporations and public policy expenditures. Crown dividend levels depend on their net earnings and capital structure. In addition to cash constraints, CIC's ability to declare dividends to the GRF depends on its retained earnings (a company's retained earnings are the aggregate amount of undistributed earnings since its inception). CIC's earnings and hence, dividend capacity outlook, are sensitive to adverse developments in its operating expenditures and Crown earnings forecasts.

CAPITAL STRUCTURES OF SUBSIDIARY CORPORATIONS

The following table summarizes the target capital structure of CIC's subsidiary corporations that declared dividends or were expected to declare dividends to CIC in 2011.

	Capital Structure Measure	Capital Structure Target	2011 Actual Capital Structure	2011 Dividend Payout Rate
SaskTel	Debt Ratio	45.0%	37.6%	90%
SaskEnergy	Debt Ratio	57.0%	60.3%	47%
SGI[1]	Minimum Capital Test	250.0%	222.0%	N/A
CIC AMI[2]	Cash Availability	At Target	At Target	N/A
ISC	Debt Ratio	40.0%	35.9%	90%
SGC	Debt Ratio	50.0%	33.8%	80%

[1] Minimum Capital Test (MCT) is an indicator of financial flexibility used in the insurance industry. Due to SGI being below its capital structure target no dividend was paid in 2011.

[2] CIC AMI dividend is determined by a cash availability formula which is not dependent on net earnings.

LIQUIDITY

CIC and its subsidiary Crown corporations borrow from the GRF, which in turn, borrows in the capital markets. With strong credit ratings, the GRF has ample access to capital for anticipated borrowing requirements.

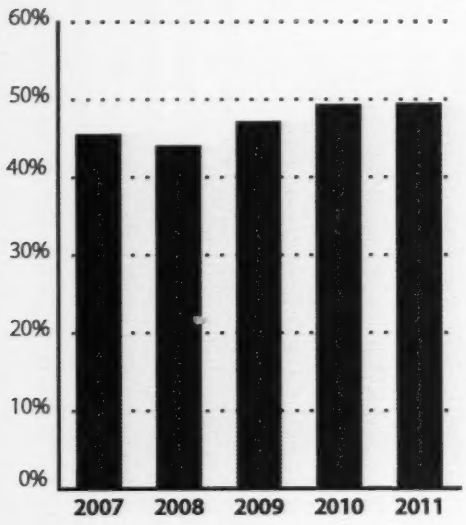
PROVINCE OF SASKATCHEWAN CREDIT RATINGS	
Moody's Investor Service (Moody's)	Aa1
Standard & Poor's (S&P)	AAA
Dominion Bond Rating Service (DBRS)	AA

There are three credit rating agencies in Canada that evaluate and rate the Province's sovereign debt. These ratings affect the interest rate at which the Province, including the Crown sector, can borrow funds. As the credit ratings improve, the interest rates at which the Province can borrow decreases; thereby reducing the costs of borrowing. During 2011, Moody's and DBRS confirmed the Province's credit rating and S&P upgraded the Province's credit rating to AAA.

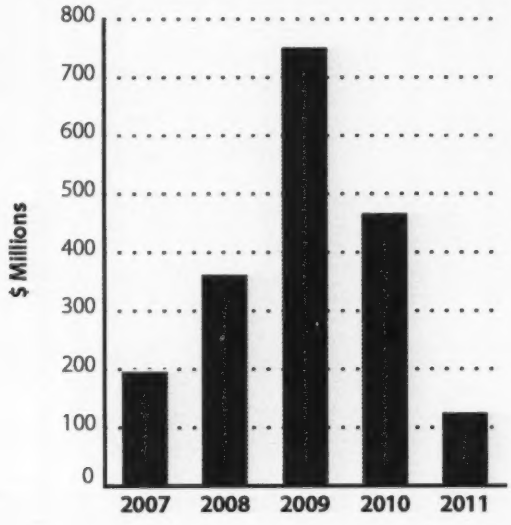
FINANCIAL HEALTH AND DIVIDENDS TO THE GRF

In 2011, CIC provided a dividend of $128.5 million to the GRF.

Consolidated Debt Ratio



Dividends Declared to the GRF



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ANALYSIS OF FINANCIAL RESULTS

The following analysis of CIC's consolidated 2011 financial results should be read in conjunction with the audited consolidated financial statements. While this MD&A is as complete as possible, CIC is bound by confidentiality agreements with its investment partners. In some cases, these agreements limit the information that CIC can release. For purposes of the MD&A on CIC's consolidated results, "CIC" refers to the consolidated entity. CIC's consolidated financial statements are prepared in accordance with IFRS and, as such, consolidate the results of all of CIC's subsidiary corporations.

COMPARISON OF 2011 RESULTS WITH 2010 RESULTS

CONSOLIDATED EARNINGS COMPARISON

	2011	2010	2009[1]	2008[1]	2007[1]
SaskPower	$ 248.0	$ 203.5	$ 102.7	$ 63.5	$ 138.3
SaskTel	154.0	149.5	129.0	123.6	84.1
SaskEnergy	25.5	50.2	93.3	29.2	88.1
SGI	0.4	49.3	52.4	40.4	35.1
CIC AMI	35.3	(17.1)	(32.8)	691.0	11.5
ISC	17.2	15.6	15.1	22.4	23.0
SGC	25.9	22.0	25.4	19.1	-
SaskWater	3.5	0.4	0.5	(1.0)	(0.6)
STC	(0.3)	-	(0.8)	(0.8)	(0.3)
SOCO	4.6	6.1	4.1	5.1	3.7
Sask. Immigrant Investor Fund	(0.6)	-	-	-	-
CIC (separate)	167.1	236.0	176.7	749.3	576.9
NewGrade Energy Inc.	-	-	-	-	74.6
Consolidation Adjustments[2] & Other	(229.7)	(279.2)	(216.9)	(763.6)	(338.1)
Consolidated Net Earnings	**$ 450.9**	**$ 436.3**	**$ 348.7**	**$ 978.2**	**$ 696.3**
Total Assets	**$ 12,003.1**	**$ 11,066.3**	**$ 10,256.3**	**$ 10,586.4**	**$ 9,630.9**

[1] Amounts for 2009, 2008 and 2007 were prepared under former Canadian Generally Accepted Accounting Standards.

[2] Consolidation adjustments reflect the elimination of all inter-entity transactions, such as grants from CIC to Crown Corporations, revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC.

Consolidated CIC Crown sector results increased to $450.9 million in 2011 from $436.3 million in 2010. The $14.6 million increase in earnings was mainly due to:

- SaskPower earnings of $248.0 million increased by $44.5 million primarily due to higher Saskatchewan electricity sales volumes, the full year impact of the August 1, 2010 system-wide rate increase, higher Alberta market exports and trading revenues, increased customer contributions and unrealized gains on gas management activities;
- SaskTel net earnings increased $4.5 million to $154.0 million due mainly to the sale of the Corporation's interests in Hospitality Network Canada Inc. and Saskatoon 2 Properties Limited Partnership;
- SaskEnergy net earnings decreased $24.7 million to $25.5 million primarily due to unfavourable fair value adjustments on natural gas in storage and derivative financial instruments used for gas management activities;
- SGI net earnings decreased $48.9 million to $0.4 million reflective of a challenging underwriting year and an unsettled investment market climate in 2011. While the Corporation experienced strong premium growth, with the largest growth from Ontario auto, underwriting profits suffered as Saskatchewan experienced significant spring and summer storm and flood claims, and each out-of-province jurisdiction experienced a high number of large property losses;
- CIC Asset Management Inc. net earnings increased $52.4 million to $35.3 million mainly attributable to non-recurring 2011 recoveries of environmental remediation liabilities totaling $41.8 million and a recovery of reinsurance liabilities totaling $4.9 million;
- SGC earnings increased $3.9 million to $25.9 million due to a record number of casino guest counts which increased 3.3 per cent from 2010;
- ISC earnings increased $1.6 million to $17.2 million, primarily due to increased land registry revenue and a full year of corporate registry revenue;
- SaskWater earnings increased $3.1 million to $3.5 million due primarily to higher water sales, growth in new and existing customers, cost management, and improved service margins and work volumes;
- SOCO earnings decreased $1.5 million to $4.6 million mainly attributed to increased amortization related to $120.7 million of property, plant and equipment and investment property transferred from the Saskatchewan General Revenue Fund (GRF) effective March 31, 2011; and
- CIC (separate) earnings decreased $68.9 million to $167.1 million primarily due to reduced dividend revenue of $62.2 million, lower grant funding from the GRF of $9.6 million and an increase in operating and other administrative expenses of $1.5 million. These decreases in earnings were offset by lower grant funding to subsidiary corporations of $4.2 million and higher finance and other revenue of $0.2 million.

SIGNIFICANT EVENTS IMPACTING 2011 CONSOLIDATED RESULTS

During 2011, the following significant events impacted CIC's consolidated results:

1. **IFRS (Notes 2(a) and 31 to the consolidated financial statements)**

   The Corporation adopted IFRS in place of previous Canadian GAAP effective January 1, 2011, including comparative figures for the year ended December 31, 2010 and an opening IFRS statement of financial position at January 1, 2010. For further information including the statement of compliance with IFRS and an explanation of how the transition from GAAP to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation please see Notes 2(a) and 31 to the consolidated financial statements.

2. **Gain from Discontinued Operations (Note 10 to the consolidated financial statements)**

   During 2011, the Corporation sold its interests in Hospitality Network Canada Inc. and Saskatoon 2 Properties Limited Partnership for combined proceeds of $70.4 million resulting in a gain from discontinued operations of $30.8 million.

3. **Loss on Sale of Equity Accounted Investees (Note 11(d) to the consolidated financial statements)**

   During 2011, the Corporation sold its interests in Gas Sur S.A. and IGASAMEX USA Ltd. for combined proceeds of U.S $23.4 million resulting in a net loss of $8.6 million.

4. **Recovery of Decommissioning and Environmental Remediation Liabilities (Note 18 to the consolidated financial statements)**

   The Corporation is committed to undertake necessary environmental clean-up activities with respect to certain properties and electrical generation assets. Due to external studies completed on these sites in 2011, revised cost estimates resulted in the Corporation reducing previously recorded provisions and recording a net recovery of $38.8 million.

5. **Actuarial Losses on Defined Benefit Plans (Note 21 to the consolidated financial statements)**

   Due to changes in actuarial assumptions and the resulting impacts on the Corporations defined benefit plan obligations, the Corporation recorded a $283.8 million (2010 - $47.4 million) loss in other comprehensive income. These amounts were transferred from accumulated other comprehensive income to retained earnings in the year of occurrence.

6. **Transfer of Property, Plant and Equipment and Investment Property from the GRF (Notes 12 and 13 to the consolidated financial statements)**

   The GRF transferred property, plant and equipment and investment property with a value of $120.7 million to the Corporation effective March 31, 2011.

ACCOUNTING POLICY DEVELOPMENTS IMPACTING FUTURE CONSOLIDATED RESULTS

As disclosed in Note 3(v) to the consolidated financial statements, a number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing the consolidated financial statements. The extent of the impact on adoption of these standards is not known at this time.

ANALYSIS OF 2011 CONSOLIDATED REVENUES AND EXPENSES

Operating income

Total revenue was $4,557.4 million (2010 - $4,493.8 million), an increase of $63.6 million. The increase was due to $144.8 million in higher operating revenue which was only partially offset by an $81.2 million decrease in other income.

Operating revenue was $4,523.6 million (2010 - $4,378.8 million). Growth in all major business lines contributed to the $144.8 million increase.

Utility operating revenue was $3,994.6 million (2010 - $3,868.6 million), an increase of $126.0 million due mainly to the following:

- A $156.4 million increase in SaskPower operating revenue largely due to: (1) a 608 gigawatt hour (GWh) or 3.0 per cent increase in electricity sales volumes to Saskatchewan customers; (2) the full year impact of a 4.5 per cent system-wide average rate increase that became effective August 1, 2010; (3) higher exports and electricity trading revenues resulting from improved sales prices and volumes in the Alberta market; (4) higher customer contributions resulting from the strong Saskatchewan economy; and (5) a $7.9 million increase in unrealized gains on natural gas management activities;
- A $12.9 million increase in SaskTel operating revenue due to continued strong customer growth in cellular, *MAX*™ Entertainment and internet services as well as increased demand for these services;

- A $10.5 million increase in ISC operating revenue due to increased land transactions resulting from the strong Saskatchewan economy and the inclusion of a full year of corporate registry revenue (the registry was transferred to ISC from the Ministry of Justice in October, 2010); and
- An $8.9 million increase in SaskWater operating revenue primarily from its non-potable water and services lines of business;

  Partially offset by:

- A $62.7 million decrease in SaskEnergy operating revenue due mainly to: (1) a decrease in the average commodity rate for natural gas sales to distribution customers to $4.55 per Gigajoule (GJ) in 2011 versus $4.94 per GJ in 2010; and (2) a $28.2 million drop in unrealized fair value gains on natural gas management activities; partially offset by: (3) adding 5,803 residential, business and industrial customers to its natural gas distribution system resulting in a $3.0 million increase in basic monthly charges and delivery volumes compared to 2010; and (4) a $23.0 million increase in customer contributions bolstered by two large connections that were completed and put into use in 2011.

Insurance related operating revenue was $449.0 million (2010 - $405.3 million), an increase of $43.7 million as a result of premium growth in all jurisdictions, with Ontario and Alberta operations accounting for the majority of the increase.

Entertainment related operating revenue was $134.6 million (2010 - $123.1 million), an increase of $11.5 million due mainly to a record 3.5 million casino guests in 2011 which was 3.3 per cent higher than 2010.

Operating revenue from investment and economic growth activities was $39.8 million (2010 - $36.1 million), or an increase of $3.7 million from 2010 due mainly to $3.6 million in higher revenue at SOCO resulting from improved rental rates, occupancy, and related service revenue at the Research Parks.

Other income was $33.8 million (2010 - $115.0 million). The $81.2 million decrease is mainly related to a $79.3 million decrease in the recognition of deferred funding received from the GRF for qualifying expenditures on carbon capture and storage demonstration projects. During 2011, Cabinet approved construction of SaskPower's Boundary Dam Unit 3 refurbishment and carbon capture and storage initiative. Prior to this decision, grants for this project were recorded as revenue as qualifying expenditures were made. However, during the construction phase the grants are now netted against capital expenditures.

Operating Expenses

Total operating expenses were $3,917.7 million (2010 - $3,879.7 million) or an increase of $38.0 million from 2010. The increase is mainly attributed to higher operating costs, salaries, wages and short-term benefits, depreciation and amortization, and Saskatchewan taxes and fees, partially offset by lower employee future benefits and a recovery of decommissioning and environmental remediation liabilities.

Operating costs increased by $31.3 million to $2,423.7 million (2010 - $2,392.4 million) mainly due to higher insurance costs which were only partially offset by lower utility operating costs.

Operating costs related to insurance activities increased $51.6 million to $380.8 million (2010 - $329.2 million) given the combined impact of record claims in Saskatchewan caused by several severe spring and summer storms and floods in 2011, as well as a high number of large property losses in all out-of-province jurisdictions.

Utility operating costs decreased by $6.1 million to $2,061.3 million (2010 - $2,067.4 million) primarily due to:

- A $48.5 million decrease at SaskEnergy mainly related to: (1) a lower cost of natural gas which fell to an average of $4.28 per GJ in 2011 from $4.94 per GJ in 2010; partially offset by: (2) a $10.3 million increase in unrealized fair market value losses on natural gas management activities; and (3) an incremental $3.9 million write down of natural gas in storage to its net realizable value;

  Partially offset by:

- A $28.6 million increase at SaskTel primarily due to increased goods and services purchased to support revenue growth in wireless, *MAX*™ Entertainment, data and internet revenues;

- A $5.6 million increase at SaskPower primarily related to: (1) increased storm activity, additional maintenance costs and spending on various new initiatives; and (2) additional fuel and purchased power costs due to higher generation volumes, coal and import prices; partially offset by: (3) a decrease of $79.3 million in expenditures for the Boundary Dam carbon capture and storage initiative (this also impacted other income above by the same amount); and (4) an $18.5 million decrease in unrealized losses from gas management activities; and
- A $4.6 million increase at SaskWater due to higher costs for new non-potable services and infrastructure as well as growth in the service lines of business.

Salaries, wages and short-term employee benefits increased by $20.6 million to $789.6 million (2010 - $769.0 million) due mainly to a general average wage and salary increase of 2.0 per cent in 2011.

Employee future benefits decreased by $12.9 million to $53.0 million (2010 - $65.9 million). SaskPower employee future benefits decreased $6.6 million due to: (1) a $2.8 million drop in current service cost given a number of retirements in 2011; and (2) a $3.0 million drop in interest costs and a $2.8 million increase in expected return on defined benefit pension plan assets due to improved financial market conditions; partially offset by: (3) an increase of $2.0 million in other benefit plan expenses mainly related to the 2011 general average wage and salary increase. SaskTel employee future benefits decreased $6.8 million due to a $3.3 million decrease in interest costs and a $3.3 million increase in expected return on defined benefit plan assets given improved financial market conditions.

Depreciation and amortization increased $35.6 million to $550.2 million (2010 - $514.6 million) due primarily to: (1) a $23.5 million increase at SaskPower resulting from $632.1 million in 2011 capital expenditures including new generation, customer connects and the life extension of existing infrastructure; (2) a $5.7 million increase at SaskTel resulting from $265.7 million in 2011 capital expenditures including intangible asset purchases, as well as Universal Mobile Telecommunications System (UMTS)/High Speed Packet Access (HSPA) technology and Saskatchewan Infrastructure Improvement Program costs; and (3) a $3.3 million increase at SOCO related to the 2011 transfer of property, plant and equipment and investment property with a value of $120.7 million from the GRF.

Due to external studies related to the Corporation's responsibilities for necessary environmental clean-up activities on certain properties and electrical generation assets, the Corporation recorded a $38.8 million recovery of decommissioning and environmental remediation liabilities in 2011 versus a $5.0 million provision in 2010.

Saskatchewan taxes and fees increased by $9.0 million to $126.0 million (2010 - $117.0 million) due mainly to: (1) an incremental $4.4 million at SGC as a result of higher earnings and the resulting payment of increased gaming fees to the GRF as mandated by the Saskatchewan Gaming Framework Agreement; and (2) a $2.0 million increase in grants in lieu of taxes to municipalities.

Finance Income

Finance income increased by $8.6 million to $104.2 million (2010 - $95.6 million) mainly due to a $9.8 million increase in sinking fund earnings.

Finance Expenses

Finance expenses increased by $30.5 million to $325.6 million (2010 - $295.1 million) due mainly to: (1) an $11.0 million increase in interest expense on long-term debt and finance lease obligations; and (2) a $19.2 million increase in net change in fair value of financial assets at fair value through profit or loss.

Non-Operating Items

Share of net earnings from equity accounted investees decreased by $6.5 million to $10.4 million (2010 - $16.9 million) due mainly to: (1) a decrease of $3.2 million at CIC AMI attributable to losses generated in its Meadow Lake OSB Limited Partnership and Big Sky Farms Inc. commodity based investments; and (2) a $4.4 million net decrease in earnings from the CIC Apex Equity Holdco Ltd. investment portfolio; partially offset by: (3) a $1.7 million increase at SaskPower from its investments in the MRM Cogeneration Station and the Cory Cogeneration Station.

During 2011, the Corporation sold its interests in Hospitality Network Canada Inc. and Saskatoon 2 Properties Limited Partnership for combined proceeds of $70.4 million resulting in a gain from discontinued operations of $30.8 million.

During 2011, the Corporation sold its interests in Gas Sur S.A. and IGASAMEX USA Ltd. for combined proceeds of U.S $23.4 million resulting in a loss on sale of equity accounted investees of $8.6 million.

The following table illustrates the disclosure of these items in CIC's 2011 consolidated financial statements:

	2011	2010
Non-Operating Items		
Earnings from operations	$ 418.2	$ 414.5
Share of net earnings from equity accounted investees	10.5	17.0
Gain from discontinued operations	30.8	4.8
Loss on sale of equity accounted investees	(8.6)	-
Consolidated Net Earnings	$ 450.9	$ 436.3

ANALYSIS OF 2011 CONSOLIDATED CAPITAL RESOURCES

Consolidated Debt

CIC closely monitors the debt levels of its subsidiaries, utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a corporation's capital structure. CIC uses this measure in assessing the extent of financial leverage and in turn, financial flexibility for its subsidiary Crown corporations. Too high a ratio relative to target, which is determined according to industry standards, indicates a debt burden that may impair a corporation's ability to withstand downturns in revenues and still meet fixed payment obligations.

The ratio is calculated as net debt divided by capitalization at the end of the year.

The Corporation reviews the debt ratio targets of all its subsidiary Crown corporations on an annual basis to ensure comparability with industry standards. This review includes subsidiary Crown corporations' plans for capital spending. The target debt ratios for subsidiary Crown corporations are approved by the Board of Directors. The Corporation uses targeted debt ratios to compile a weighted average debt to equity ratio for the Crown sector. The target ratio for 2011 was 55.3 per cent.

For further information on CIC's approach to capital management, please refer to Note 23 to the audited consolidated financial statements.

The following table shows CIC's consolidated debt level and debt ratio:

	2011	2010	2009[1]	2008[1]	2007[1]
Consolidated Debt	$ 4,701.8M	$ 4,440.9M	$ 4,205.9M	$ 4,033.6M	$ 3,858.0M
Consolidated Debt Ratio	49.8%	49.7%	47.5%	44.4%	45.9%

[1] Amounts for 2009, 2008 and 2007 were prepared under former Canadian Generally Accepted Accounting Standards.

Debt on a consolidated basis was $4,701.8 million (2010 - $4,440.9 million) or an increase of $260.9 million from 2010. The increase is mainly attributed to higher debt at SaskPower ($91.1 million), SaskEnergy ($74.4 million) and SaskTel ($45.3 million). The large increase in debt was mainly required to fund a portion of the $1,123.6 million in 2011 capital expenditures and the purchase of natural gas in storage at SaskEnergy. Debt also increased by $49.0 million at SIIF reflecting increased amounts received from the Government of Canada's Immigrant Investor Program which is restricted for use in Saskatchewan's Headstart on a Home Program as described in Notes 8 and 20(a) to the consolidated financial statements.

Capital Spending

Capital spending (property, plant and equipment, investment property and intangible asset purchases) was $1,123.6 million or $99.5 million higher than 2010. Major capital expenditures included:

- $632.1 million at SaskPower mainly related to new generation, customer connects, the life extension of existing infrastructure, and the Boundary Dam Unit 3 refurbishment and carbon capture and storage initiative;
- $265.7 million at SaskTel including spending on cellular network upgrades to Universal Mobile Telecommunications System (UMTS)/High Speed Packet Access (HSPA) technology, the Saskatchewan Infrastructure Improvement Program and $43.9 million for intangible assets;
- $171.5 million at SaskEnergy to maintain the integrity of SaskEnergy's extensive distribution and pipeline infrastructure, ensure safe, reliable service and system integrity, and develop a new customer information system; and
- $31.1 million at SaskWater due to new and ongoing major capital projects for potable and non-potable infrastructure.

Investment purchases were $750.5 million (2010 - $537.1 million) a $213.4 million increase from 2010 mainly due to: (1) a $78.2 million increase in purchases by SGI due to efforts to manage its investment portfolio mix during the year; (2) a $76.5 million increase at CIC AMI due to cash and cash equivalents being invested in short-term investments with maturities greater than 90 days; and (3) a $58.3 million increase at CIC (separate) due to more cash being available for investing in 2011 versus 2010, and reinvesting cash and cash equivalents in short-term investments with maturities greater than 90 days.

Operating, Investing and Financing Activities

CASH FLOW HIGHLIGHTS

	2011	2010
Net cash from Operations	$ 1,113.1	$ 939.3
Net cash used in Investing Activities	(1,157.6)	(506.7)
Net cash used in Financing Activities		
Dividends Paid	(128.5)	(471.0)
Repayment of Equity Advances	-	(120.0)
Debt Proceeds Received	52.5	448.2
Debt Repaid	(17.4)	(176.9)
Other Financing Activities	97.2	(46.9)
Change in Cash	$ (40.7)	$ 66.0

Cash from operations increased by $173.8 million to $1,113.1 million (2010 - $939.3 million). Net earnings improved by $14.6 million which combined with a $1.4 million increase in adjustments to reconcile net earnings to cash provided by operating activities (see details in Note 29 to the audited consolidated financial statements) resulted in an overall cash impact from earnings which was $16.0 million higher than in 2010. Also impacting cash from operations was a $60.7 million improvement in net cash inflows from discontinued operations and an increase of $105.5 million in net change in non-cash working capital balances, partially offset by a $8.4 million increase in interest paid.

Cash used in investing activities increased $650.9 million to $1,157.6 million (2010 - $506.7 million) mainly due to higher investment purchases and capital spending, lower proceeds from sale and collection of investments and reduced cash provided by restrictions being lifted from amounts classified as restricted cash and cash equivalents.

Investment purchases were $750.5 million (2010 - $537.1 million) or a $213.4 million increase from 2010 mainly due to: (1) a $78.2 million increase in purchases at SGI due to efforts to manage its investment portfolio mix during the year; (2) a $76.5 million increase at CIC AMI due to cash and cash equivalents being invested in short-term investments with maturities greater than 90 days; and (3) a $58.3 million increase at CIC (separate) due to more cash being available for investing in 2011 versus 2010, and reinvesting cash and cash equivalents in short-term investments with maturities greater than 90 days.

Capital spending increased $99.5 million to $1,123.6 million (2010 - $1,024.1 million) due mainly to: (1) a $104.4 million increase at SaskPower primarily for new generation, customer connects, the life extension of existing infrastructure, and the Boundary Dam Unit 3 refurbishment and carbon capture and storage initiative; (2) a $26.9 million increase at SaskEnergy to maintain the integrity of SaskEnergy's extensive distribution and pipeline infrastructure, ensure safe, reliable service and system integrity, and develop a new customer information system; (3) a $7.2 million increase at SaskWater on new and ongoing major capital projects for potable and non-potable infrastructure; and (4) a $3.6 million increase at ISC primarily related to spending on the business registration portal, vital statistics modernization and leasehold improvements; partially offset by: (5) a $43.6 million decrease at SaskTel due primarily to planned spending reductions on the cellular network upgrade to Universal Mobile Telecommunications System (UMTS)/High Speed Packet Access (HSPA) technology and the Saskatchewan Infrastructure Improvement Program.

Proceeds from the sale and collection of investments decreased $316.8 million to $585.7 million (2010 - $902.5 million). CIC (separate) proceeds decreased $303.6 million due mainly to higher short-term investment redemptions in 2010 required to fund the combined $591.0 million in dividends and equity repayments to the GRF versus only a $128.5 million dividend to the GRF in 2011.

Cash inflows related to changes in restricted cash and cash equivalent balances decreased $15.5 million to $91.6 million (2010 - $107.1 million) due to: (1) a $3.1 million reduction in inflows caused by lower 2011 expenditures on SaskPower's Boundary Dam carbon capture and demonstration initiative; and (2) a $41.9 million increase in restricted cash received by SIIF from the Government of Canada for the Government of Saskatchewan's Headstart on a Home Program; partially offset by: (3) a $29.5 million inflow at CIC AMI related to the partial receipt of restricted cash and cash equivalents held by the receiver of the Meadow Lake Pulp Limited Partnership (See Note 8 to the audited consolidated financial statements).

Net cash from financing activities was $3.8 million (2010 - net cash used - $366.6 million). The $370.4 million increase in cash inflows resulted from a:

- $342.5 million decrease in dividends paid to the GRF;
- $120.0 million decrease in the repayment of GRF equity advances;
- $159.5 million decrease in debt repayments; and
- $174.5 million increase in notes payable;

Partially offset by:

- $27.6 million increase in net additions to the sinking fund;
- $395.7 million decrease in debt proceeds; and
- $2.8 million decrease in other liabilities.

COMPARISON OF 2011 RESULTS WITH BUDGET

	2011 Earnings		2011 CIC Dividends	
	Budget	Actual	Budget	Actual
SaskPower	$ 118.6	$ 248.0	$ –	$ –
SaskTel	161.0	154.0	144.9	138.6
SaskEnergy[1]	87.1	25.5	47.7	39.1
SGI	43.1	0.4	32.4	–
CIC AMI	(7.1)	35.3	–	–
ISC	12.2	17.2	11.0	15.5
SGC	25.5	25.9	20.4	20.7
SaskWater	0.2	3.5	–	–
STC	(0.5)	(0.3)	–	–
SOCO	4.6	4.6	–	–
SIIF	–	(0.6)	–	–
CIC (separate), Other, Adjustments	(82.2)	(62.6)	–	–
Totals	**$ 362.5**	**$ 450.9**	**$ 256.4**	**$ 213.9**

[1] During the year the CIC Board adjusted SaskEnergy's budgeted earnings from $93.6 million to $87.1 million.

The preceding table shows results for the commercial Crown corporations in 2011 in comparison to business plan targets. Consolidated earnings for 2011 of $450.9 million were $88.4 million higher than budgeted earnings of $362.5 million. Dividends to CIC in 2011 of $213.9 million were $42.5 million below budgeted dividends of $256.4 million. Dividend revenue is directly proportionate to the earnings of the dividend paying Crown corporations.

Accordingly, the dividend variances reported for all subsidiaries mainly related to favourable or unfavourable actual versus budgeted earnings impacts. Earnings variances are explained as follows:

- SaskPower earnings were $129.4 million above budget primarily due to lower fuel and purchased power costs partially offset by lower Saskatchewan sales and a decline in unrealized gains/losses on natural gas management activities;
- SaskTel earnings were $7.0 million lower than budget due mainly to: (1) unfavourable revenue per customer for *MAX*™ Entertainment services; (2) lower than anticipated sales of customer premise equipment; (3) lower than expected internet usage, security and access service revenues; and (4) higher hardware subsidies and *MAX*™ content expenses; which were only partially offset by: (5) favourable long distance, wireless, data, consulting and directory service revenues; and (6) lower cost of goods sold, salaries and benefits, satellite internet, and consulting expenses;
- SaskEnergy earnings were $61.6 million below budget due mainly to unbudgeted unfavourable fair value adjustments on natural gas management activities. Excluding fair value adjustments, net earnings from operations were $3.2 million below budget. Operating and maintenance expenses exceeded the budget due to increased safety and integrity work, however customer contribution revenue was slightly higher than budget;
- SGI earnings were $42.7 million below budget primarily due to lower than planned investment returns and higher than expected flood and storm claim costs;
- CIC AMI reported net earnings of $35.3 million versus a budgeted loss of $7.1 million resulting in a $42.4 million favourable variance primarily due to recoveries of environmental remediation liabilities totaling $41.8 million and a recovery of reinsurance liabilities totaling $4.9 million;
- ISC earnings were $5.0 million higher than budget due to increased revenues of $4.0 million and savings within expenses of $1.0 million; and
- SaskWater earnings were $3.3 million above budget due to higher than anticipated volumes, and service opportunities that arose during the year.

A CLOSER VIEW OF CIC'S HOLDINGS

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are joint ventures and partnerships held through CIC's wholly-owned subsidiaries.

INVESTMENT		MAJOR BUSINESS LINE
Saskatchewan Power Corporation (SaskPower)	**Utilities:**	Electricity
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)		Telecommunications
SaskEnergy Incorporated (SaskEnergy)		Natural Gas Storage and Delivery
Saskatchewan Water Corporation (SaskWater)		Water and Wastewater Management
Information Services Corporation of Saskatchewan (ISC)		Registry Services
Saskatchewan Government Insurance (SGI)	**Insurance:**	Property and Casualty
Saskatchewan Gaming Corporation (SGC)	**Entertainment:**	Gaming
CIC Asset Management Inc. (CIC AMI)	**Investment and Economic Growth:**	Investments
Saskatchewan Opportunities Corporation (SOCO)		Research Parks
Saskatchewan Development Fund Corporation (SDFC)[1]		Inactive
Saskatchewan Transportation Company (STC)	**Transportation:**	Passenger and Freight Transportation

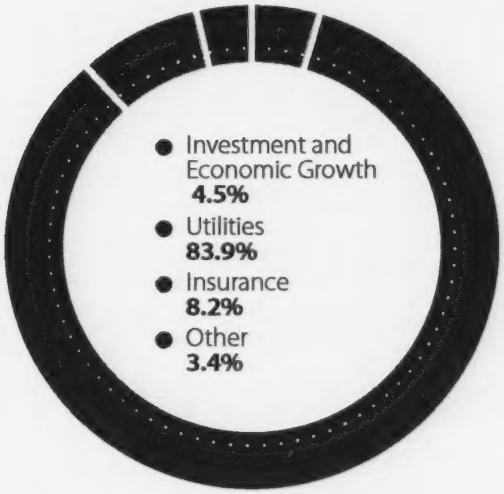
[1] SDFC ceased operations on December 31, 2010 and the net assets were transferred to CIC as a dividend.

Profiles of material subsidiary Crown corporations are included in this section. SDFC is inactive and immaterial to the consolidated operations of CIC and therefore its profile has not been included in this section. Each subsidiary Crown corporation prepares an annual report, which is tabled in the Legislative Assembly. For additional information, please refer to each individual Crown corporation's annual report. These annual reports can be found through CIC's website at www.cicorp.sk.ca.

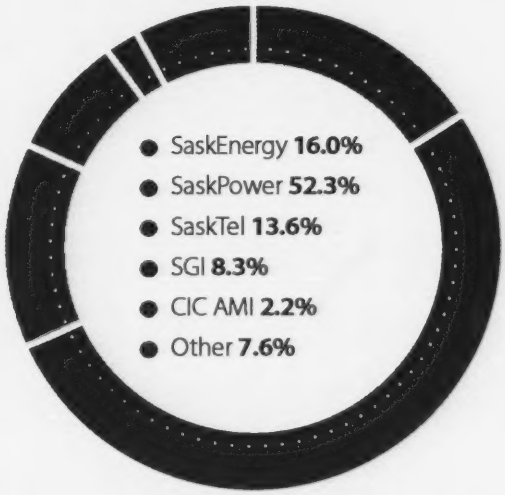
The data on the following page illustrates the importance of the utility business segment to the financial results of the Corporation. Of these corporations, SaskPower, SaskTel and SaskEnergy are the most significant in terms of assets, liabilities, and operating earnings generated.

SEGMENTED INFORMATION

Total Assets by Business Segment



Total Assets by Corporation



	Utilities		Entertainment		Insurance		Transportation		Investment & Economic Growth		Other & Adjustments[1]		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Statement of Income for the year ended December 31														
Total revenue	4,033	3,988	134	123	449	405	28	27	40	37	(127)	(86)	4,557	4,494
Operating expenses & other	(3,399)	(3,366)	(107)	(99)	(458)	(403)	(28)	(27)	6	(36)	68	51	(3,918)	(3,880)
Net financing (expenses) income	(231)	(236)	(1)	(2)	10	46	–	–	(4)	(13)	5	5	(221)	(200)
Earnings before the following	403	386	26	22	1	48	–	–	42	(12)	(54)	(30)	418	414
Share of net earnings from equity accounted investees	11	10	–	–	–	–	–	–	–	7	–	–	11	17
Gain from discontinued operations	31	5	–	–	–	–	–	–	–	–	–	–	31	5
Loss on sale of equity accounted investees	(9)	–	–	–	–	–	–	–	–	–	–	–	(9)	–
Net Earnings	436	401	26	22	1	48	–	–	42	(5)	(54)	(30)	451	436
Statement of Financial Position as at December 31														
Current assets	1,033	1,054	14	11	434	338	5	3	249	185	337	408	2,072	1,999
Investments & other	604	541	–	–	522	538	–	–	120	144	–	–	1,246	1,223
Capital assets[2]	8,429	7,707	69	72	33	33	36	38	177	55	(59)	(61)	8,685	7,844
	10,066	9,302	83	83	989	909	41	41	546	384	278	347	12,003	11,066
Current liabilities	1,713	1,295	24	20	494	439	4	3	33	27	(104)	(12)	2,164	1,772
Long-term debt	3,849	3,897	12	13	–	–	–	–	92	43	–	–	3,953	3,953
Finance lease obligations	552	409	6	7	–	–	–	–	–	–	–	–	558	416
Other	842	567	–	–	241	212	29	30	69	124	(74)	(70)	1,107	863
	6,956	6,168	42	40	735	651	33	33	194	194	(178)	(82)	7,782	7,004
Province's equity	3,110	3,134	41	43	254	258	8	8	352	190	456	429	4,221	4,062
	10,066	9,302	83	83	989	909	41	41	546	384	278	347	12,003	11,066
Statement of Cash Flows for the year ended December 31														
Operating activities														
Ongoing operations	990	902	35	29	66	32	–	1	17	11	(59)	(40)	1,049	935
Discontinued operations	64	4	–	–	–	–	–	–	–	–	–	–	64	4
	1,054	906	35	29	66	32	–	1	17	11	(59)	(40)	1,113	939
Investing activities														
Capital asset purchases[2]	(1,108)	(1,009)	(4)	(6)	(3)	(3)	(1)	(2)	(8)	(4)	–	–	(1,124)	(1,024)
Other	43	19	–	–	(36)	33	–	–	(90)	48	49	418	(34)	518
	(1,065)	(990)	(4)	(6)	(39)	30	(1)	(2)	(98)	44	49	418	(1,158)	(506)
Financing activities														
Debt proceeds	4	429	–	–	–	–	–	–	49	19	–	–	53	448
Debt repayments	(14)	(171)	(3)	(6)	–	–	–	–	–	–	–	–	(17)	(177)
Dividends paid to CIC	(174)	(220)	(18)	(22)	(15)	(50)	–	–	(4)	(10)	82	(169)	(129)	(471)
Dividends paid to GRF	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Equity received (repaid)	–	8	(7)	–	–	–	–	–	–	(101)	7	(27)	–	(120)
Other	204	74	–	–	–	–	1	1	(3)	(12)	(105)	(110)	97	(47)
	20	120	(28)	(28)	(15)	(50)	1	1	42	(104)	(16)	(306)	4	(367)
Change in Cash	9	36	3	(5)	12	12	–	–	(39)	(49)	(26)	72	(41)	66

[1] Other and adjustments includes the operations of CIC (separate) and consolidation elimination entries.
[2] Capital assets include property plant and equipment, investment property and intangible assets.

SUBSIDIARY CORPORATION PROFILES

Utilities

SaskPower

Comparison of 2011 Results with 2010 Results

- In 2011, SaskPower was once again named one of Canada's Best Diversity Employers and one of Saskatchewan's Top Employers.
- Net earnings of $248.0 million (2010 - $203.5 million) increased primarily due to revenue growth and improvement in market value of derivatives.
- Revenue of $1,837.6 million (2010 - $1,690.0 million) increased largely due to higher Saskatchewan electricity sales. Electricity sales volumes to Saskatchewan customers were 19,226 GWh, up 608 GWh or 3.0 per cent compared to the prior year. In addition, the Corporation benefited from the full year impact of the 4.5 per cent system-wide average rate increase that became effective August 1, 2010. Exports and electricity trading increased due to higher sales prices and volumes as a result of increased market opportunities in Alberta. In addition, other revenue rose as a result of higher customer contributions.
- Expenses of $1,598.9 million (2010 - $1,467.5 million) increased due to rising operating costs as the result of increased storm activity, additional maintenance costs and spending on various new initiatives. In addition fuel and purchased power costs were up due to increased generation volumes and higher coal and import prices.
- The Corporation also recorded $9.3 million in unrealized market value adjustments (net gains) in 2011 (2010 - $19.0 million net losses). The unrealized market value adjustments represent the change in the market value of the Corporation's outstanding natural gas hedges, electricity contracts and debt retirement funds at year-end.
- Gross long-term and short-term debt of $2,958.1 million (2010 - $2,867.0 million) was up due to additional short-term borrowings during the year to finance capital expenditures.
- SaskPower invested $632.1 million (2010 - $527.7 million) in various capital projects including new generation, customer connects and the life extension of existing infrastructure.
- Debt ratio of 63.0 per cent (2010 - 63.0 per cent) was consistent with 2010.
- Return on equity of 13.7 per cent (2010 - 12.3 per cent) increased with increased earnings.
- The Corporation declared no dividends to CIC due to significant capital requirements.

KEY FINANCIAL DATA

	2011 Actual	2011 Bus. Plan Target	2010 Actual	2009[1] Actual	2008[1] Actual	2007[1] Actual
Earnings	**$ 248.0M**	**$ 118.6M**	$ 203.5M	$ 102.7M	$ 63.5M	$ 138.3M
Dividend declared to CIC	**$ Nil**	$ Nil	$ Nil	$ Nil	$ 46.0M	$ 97.0M
Total assets	**$ 6,281.7M**	**$ 6,851.0M**	$ 5,698.8M	$ 4,948.8M	$ 4,520.2M	$ 4,475.5M
ROE	**13.7%**	**6.7%**	12.3%	6.5%	4.2%	9.3%
Debt ratio	**63.0%**	**68.8%**	63.0%	61.4%	60.7%	59.7%

[1] Amounts for 2009, 2008 and 2007 were prepared under former Canadian Generally Accepted Accounting Standards.

Comparison of 2011 Results with Budget

- Earnings were $129.4 million above the budget of $118.6 million primarily due to lower operating, maintenance and administration expenses due to corporate wide cost reduction and efficiency initiatives, lower depreciation and finance charges due to delayed capital spending and lower fuel costs due to improved hydro availability.
- Revenues were $26.2 million higher than the budget of $1,811.3 million as a result of improved export market opportunities and higher than expected customer contributions. These increases were partially offset by a lower demand from key account customers which reduced Saskatchewan electricity sales.
- Expenses were $93.7 million lower than the $1,692.5 million budget primarily due to lower operating costs and a decrease in fuel and purchased power costs as a result of favourable volume and fuel mix variances. Depreciation and finance charges were also lower than budget as a result of lower than planned capital expenditures and borrowings.
- The remaining difference related to $9.3 million in unrealized market value gains recorded in 2011.

2012 Outlook

- Net earnings are expected to decrease in 2012 to $156.7 million largely as a result of higher expenses. The largest increases will be in fuel and purchased power costs, depreciation and finance charges. Fuel and purchased power costs are expected to increase due to higher generation volumes and an unfavourable change in the fuel mix as hydro is budgeted to return to median levels from record highs in 2011. Depreciation and finance charges are expected to increase as a result of SaskPower's on-going capital program.
- These increases in expense are expected to be partially offset by higher Saskatchewan electricity sales due to an increase in domestic demand.
- SaskPower plans to continue making significant investments in its generation, transmission and distribution infrastructure with anticipated capital expenditures of $998.0 million in 2012.

Key Factors Affecting Performance

- Weather conditions can impact both electricity demand and availability of low cost hydroelectric generation.
- Export opportunities play a key role in financial results and are dependent on a number of factors including: transmission system availability, prices in export markets, and demand for electricity both in Saskatchewan and within export markets.
- Natural gas costs represent the largest expenditure for the organization and are susceptible to significant volatility. Although SaskPower partially hedges its natural gas costs to mitigate price volatility, a change in the market price of natural gas will have a significant impact on financial results.
- Equipment failure can lead to costly repairs and may necessitate utilizing higher cost generation sources or importing power from other jurisdictions at higher prices. SaskPower undertakes regular maintenance of its electricity infrastructure to mitigate this risk.

KEY OPERATIONAL DATA

	2011	2010	2009	2008	2007
Permanent full-time employees	**2,701**	2,727	2,653	2,541	2,488
Total customer accounts	**481,985**	473,007	467,329	460,006	451,713
Gross electricity supplied (gigawatt hours)	**21,611**	20,759	19,864	20,480	20,571
Available generating capacity (net megawatts)	**4,094**	3,982	3,840	3,641	3,668
Annual peak load (net megawatts)	**3,195**	3,162	3,231	3,194	2,969
Power lines (kilometres)	**151,966**	150,085	149,497	149,118	148,809

SUBSIDIARY CORPORATION PROFILES

Utilities

SaskTel

Comparison of 2011 Results with 2010 Results

- SaskTel has, for the twelfth consecutive year, been named one of the Top 100 Employers in Canada, and again is among the Top 20 Employers in Saskatchewan as well as one of Canada's Greenest Employers as named by MediaCorp Canada Inc. SaskTel's communication services continue to expand throughout the province with over 1.4 million customer connections.
- During 2011 SaskTel expanded the new 4G network, the largest in Saskatchewan, to 98 per cent of the province.
- Net earnings for the year are $154.0 million, up $4.5 million from 2010, and cash provided by operating activities was $250.3 million.
- Total operating revenues increased to $1,125.8 million in 2011, up $12.9 million (1.2 per cent) from 2010 primarily due to continued strong customer growth in cellular, *Max*™ Entertainment and internet services as well as increased demand for these services.
- Total operating expenses were $997.5 million, up $28.6 million from 2010 primarily due to increased goods and services purchased to support revenue growth in wireless, *Max*™ Entertainment, data and internet revenues. In addition, depreciation and amortization increased $5.7 million due to increased plant in service. These increases were partially offset by decreased salaries, wages and benefit expenses.
- Net financing expense increased to $10.1 million in 2011, up $2.2 million (27.8 per cent) from 2010. This is driven by increased borrowings to fund the 2010 construction program and reduced capitalized interest resulting from significantly lower plant under construction in 2011 compared to 2010, partially offset by increases in the fair value of sinking funds.
- Debt increased to $538.0 million (2010 - $492.7 million) due the issuance of additional short-term debt during the year. The overall level of debt increased to support increased investing activities.
- Net capital expenditures for the year are $254.9 million, down $43.5 million from 2010, primarily due to planned capital spending reductions, partially offset by increased spending on intangible assets. SaskTel's net capital spending on property, plant and equipment in 2011 was $221.8 million, down $65.3 million from 2010. Spending decreased primarily due to planned spending reductions on the cellular network upgrade to Universal Mobile Telecommunications System (UMTS)/High Speed Packet Access (HSPA) technology and the Saskatchewan Infrastructure Improvement Program. SaskTel's spending on intangible assets was $43.9 million, up $26.0 million from 2010.
- Debt ratio of 37.6 per cent (2010 - 36.1 per cent) increased as a result of increased short-term debt, partially offset by increased sinking funds and cash.
- Return on equity increased to 20.7 per cent (2010 - 20.5 per cent) consistent with higher earnings.
- Dividends of $138.6 million were declared in 2011 (2010 - $139.7 million).

KEY FINANCIAL DATA

	2011 Actual	2011 Bus. Plan	2010 Actual	2009[1] Actual	2008[1] Actual	2007[1] Actual
Earnings	$ 154.0M	$ 161.0M	$ 149.5M	$ 129.0M	$ 123.6M	$ 84.1M
Dividend declared to CIC	$ 138.6M	$ 144.9M	$ 139.7M	$ 103.2M	$ 78.9M	$ 30.0M
Total assets	$ 1,663.7M	$ 1,647.2M	$ 1,547.4M	$ 1,416.8M	$ 1,358.6M	$ 1,296.5M
ROE	20.7%	21.7%	20.5%	16.2%	16.1%	11.8%
Debt ratio	37.6%	39.4%	36.1%	24.4%	27.3%	27.7%

[1] Amounts for 2009, 2008 and 2007 were prepared under former Canadian Generally Accepted Accounting Standards.

Comparison of 2011 Results with Budget

- Net earnings of $154.0 million were $7.0 million lower than budget.
- Operating revenues of $1,125.8 million were $11.9 million lower than budget primarily due to lower than anticipated revenue per customer in *Max*™ Entertainment services, and lower than anticipated sales of customer premise equipment, and usage of internet, security and access services. These variances are partially offset by favourable long distance, wireless, data, consulting and directory services.
- Operating expenses of $997.5 million were $4.7 million lower than budget primarily due to favourable cost of goods sold, salaries and benefits, satellite internet expense and consulting, partially offset by hardware subsidies and *Max*™ content expenses.
- Net financing expense of $10.1 million was $1.2 million lower than budget due to higher than expected sinking fund earnings and market value increases.
- Income from discontinued operations related to the disposal of Hospitality Network Canada Inc. and Saskatoon 2 Properties Limited Partnership was in line with budget at $30.8 million.

2012 Outlook

- SaskTel's targeted 2012 net earnings are $91.1 million.
- Revenues from growth initiatives including cellular, internet and *Max*™ Entertainment services are projected to increase while revenues from local and long distance services are expected to decline. SaskTel forecasts in excess of $1 billion gross revenues for the seventh year in a row.
- SaskTel will continue to focus on productivity gains to further decrease costs.
- SaskTel has budgeted approximately $392.0 million on capital expenditures during 2012.

Key Factors Affecting Performance

- Industry transformation including continued convergence and next generation technologies delivering internet protocol (IP) services through traditional and new, non-traditional competitors.
- Competitive pressures in all markets and the decline of traditional revenues.
- Ability to implement strategies to capture new growth revenues and retain our existing revenue base.
- Challenges of meeting cost reduction targets through improved productivity, while providing exceptional customer service and meeting the communications needs of the people of Saskatchewan.
- Changes in policies and regulations coming from Canadian Radio-television and Telecommunications Commission decisions and from Industry Canada.

KEY OPERATIONAL DATA

	2011	2010	2009	2008	2007
Permanent full time employees[1]	4,053	4,328	3,479	3,659	3,797
Wireline accesses	514,351	528,546	543,585	555,668	565,647
Wireless accesses	594,405	560,863	541,105	502,020	452,218
Internet accesses	234,676	230,996	225,125	216,062	205,837
Max™ subscribers	93,960	85,537	77,831	70,463	62,244

[1] 2010 and 2011 reported as full time equivalent employees. All other years reported as permanent full time employees.

SUBSIDIARY CORPORATION PROFILES

Utilities

SaskEnergy

Comparison of 2011 Results with 2010 Results

- SaskEnergy saw continued growth in 2011, adding 5,803 distribution customers, with industrial sector strength in the Province contributing to increased domestic demand for natural gas transmission volumes. SaskEnergy offered residential customers the lowest natural gas delivery rates in Canada and saw high levels of customer satisfaction. To enhance its safety programming and integrity systems, SaskEnergy implemented an additional $6.5 million in network safety measures, bringing the Corporation's total integrity programming efforts to over $79.0 million in 2012. SaskEnergy was named one of Canada's Best Employers for new Canadians by MediaCorp Canada Inc. and continues to develop programs to help both customers and SaskEnergy reduce overall energy use.
- Net earnings of $25.5 million (2010 - $50.2 million) were lower than the prior year, primarily due to $58.4 million in unfavourable market value adjustments compared to $17.5 million unfavourable market value adjustments in 2010. These unfavourable market value adjustments include a $24.6 million revaluation of natural gas in storage (2010 - $20.6 million) and a $35.9 million unfavourable fair value adjustment on financial and derivative instruments (2010 - $2.6 million favourable). Partially offsetting the unfavourable market value adjustments were increased customer capital contribution revenues totaling $42.5 million (2010 - $20.2 million).
- Net earnings from operations, which removes the volatility related to the unrealized market value adjustments, was $83.9 million (2010 - $67.7 million). The increase from last year's results was primarily due to the increased customer contribution revenue, but also included the $8.6 million loss on the disposal of SaskEnergy's investments in Chile and Mexico.
- Revenues were $890.0 million (2010 - $952.7 million) and expenses were $823.3 million (2010 - $865.0 million) as the continued market trend toward lower natural gas prices had a significant impact on SaskEnergy's revenues and expenses.
- Net finance expense declined to $32.6 million in 2011 (2010 - $37.9 million) as the Corporation benefited from lower short term interest rates, while earnings on debt retirement funds increased.
- Capital investment totaled $171.3 million (2010 - $143.9 million). The majority of the capital investments were made to maintain the integrity of SaskEnergy's extensive distribution and pipeline infrastructure, ensuring safe and reliable service. Included in the increase over 2010 was additional spending on system integrity, as well as work on a new customer information system.
- Gross debt increased to $1,028.1 million (2010 - $953.6 million) as the Corporation expanded its short-term debt position. The increase was primarily used to fund capital expenditures and purchase natural gas in storage.
- Dividends of $39.1 million (2010 - $48.8 million) were declared to CIC based on net income from operations of $83.9 million.

KEY FINANCIAL DATA

	2011 Actual	2011 Bus. Plan	2010 Actual	2009[1] Actual	2008[1] Actual	2007[1] Actual
Earnings	**$ 25.5M**	**$ 87.1M**	$ 50.2M	$ 93.3M	$ 29.2M	$ 88.1M
Dividends declared to CIC	**$ 39.1M**	**$ 47.7M**	$ 48.8M	$ 51.2M	$ 42.9M	$ 53.0M
Total assets	**$ 1,924.0M**	**$ 2,121.0M**	$ 1,857.8M	$ 1,586.9M	$ 1,560.1M	$ 1,411.4M
ROE	**13.6%**	**12.8%**	10.8%	13.5%	12.5%	15.4%
Debt ratio	**60.3%**	**57.0%**	58.7%	63.9%	66.4%	62.8%

[1] Amounts for 2009, 2008 and 2007 were prepared under former Canadian Generally Accepted Accounting Standards.

Comparison of 2011 Results with Budget

- SaskEnergy does not budget market value adjustments, as these adjustments can vary significantly and do not necessarily represent the amount that will be realized. Net earnings from operations, which also removes market value adjustments, were $83.9 million, $3.2 million below the budget. Operating and maintenance expenses exceeded the budget due to increased safety and integrity work. Customer contribution revenue was slightly higher than budgeted.
- With natural gas market prices lower than anticipated in the budget, revenues and expenses were each lower than the budgeted $1,011.0 million and $951.6 million, respectively.

2012 Outlook

- SaskEnergy anticipates net earnings from operations of $65.4 million in 2012 and will target to maintain a financially sound position with annual net income from operations projected between $65.4 million and $90.2 million over the next five years.
- SaskEnergy anticipates capital investments of $1,013.8 million over the next five years. Most of this will be spent to maintain, improve and expand the natural gas transmission and distribution systems within the Province.
- In 2012, SaskEnergy will continue to support energy efficiency by providing Provincial and Federal energy conservation programs for customers, while striving to meet the Government of Saskatchewan's greenhouse gas reduction targets by 2020.

Key Factors Affecting Performance

- Natural gas market prices can have a significant impact on SaskEnergy's results. A $1 per Gigajoule change in the price of natural gas affects the annual cost by approximately $55.0 million.
- SaskEnergy uses various natural gas derivative instruments to manage the risk of natural gas price fluctuations. Prior to settlement, all natural gas derivative instruments are recorded at fair value. Given fluctuations in natural gas market prices, fair value adjustments vary throughout the length of the contract. At year end, a $1 per Gigajoule change in natural gas prices would have increased/decreased the fair value adjustment by $40.9 million.
- SaskEnergy's natural gas in storage is valued at the lower of cost and net realizable value. In order to determine the net realizable value, SaskEnergy uses future market prices based on anticipated delivery dates. At year end, a $0.25 per Gigajoule change in the net realizable value would have increased/decreased the revaluation of natural gas in storage by $12.7 million.
- In Saskatchewan, variability in winter weather temperature has a direct impact on the volume of natural gas consumed by distribution customers. Every 1.0 per cent change in heating degree days affects SaskEnergy's distribution revenue by approximately $0.7 million.

KEY OPERATIONAL DATA

	2011	2010	2009	2008	2007
Permanent full time equivalents	**939**	932	941	955	910
Total distribution customers	**358,363**	352,560	347,327	342,606	336,512
Residential average usage (M^3)	**2,851**	2,856	3,414	3,303	3,153
Distribution pipelines (KM)	**67,812**	67,462	67,166	66,829	66,460
Transmission pipelines (KM)	**14,798**	14,639	14,550	14,339	14,318
Compressor horsepower (HP)	**91,420**	88,550	87,400	89,035	89,035
Peak day gas flows (Petajoules)	**1.09**	1.07	1.19	1.50	1.49

SUBSIDIARY CORPORATION PROFILES

Utilities

Comparison of 2011 Results with 2010 Results

- Earnings for the year were $3.5 million (2010 - $0.4 million). Water sales were up compared to 2010 due to growth of new and existing customers. Services margins and volume of work increased over 2010. Cost management was also a factor in the increased profits.
- Revenues of $34.2 million (2010 - $24.6 million) increased by $9.6 million primarily due to increased revenues in non-potable water and services lines of business.
- Expenses of $30.7 million (2010 - $24.2 million) increased by $6.5 million primarily due to increased costs relating to new non-potable service and infrastructure and growth in the services lines of business.
- Debt was $60.9 million (2010 - $54.9 million) an increase of $6.0 million. This increase relates to borrowings to finance the construction of ongoing municipal capital projects.
- Capital spending of $31.3 million (2010 - $24.0 million) increased by $7.3 million primarily due to major new and ongoing construction of capital projects during 2011 for potable and non-potable infrastructure.
- Total water services volumes were 35.2 million m^3 (2010 - 20.7 million m^3). The increase was primarily due to new and increased industrial water usage.
- Debt ratio of 57.6 per cent (2010 - 58.5 per cent) decreased by 0.9 percentage points.

KEY FINANCIAL DATA

	2011 Actual	2011 Bus. Plan	2010 Actual	2009[1] Actual	2008[1] Actual	2007[1] Actual
Earnings (loss)	**$ 3.5M**	**$ 0.2M**	$ 0.4M	$ 0.5M	$ (1.0M)	$ (0.6M)
Grant funding from CIC	**$ Nil**	$ Nil	$ Nil	$ Nil	$ 0.1M	$ 0.1M
Total assets	**$ 179.3M**	**$ 170.5M**	$ 153.8M	$ 95.0M	$ 79.1M	$ 77.1M
ROE	**9.4%**	**0.6%**	1.3%	1.4%	(3.1%)	(1.8%)
Debt ratio	**57.6%**	**61.8%**	58.5%	58.3%	55.2%	53.7%

[1] Amounts for 2009, 2008 and 2007 were prepared under former Canadian Generally Accepted Accounting Standards.

Comparison of 2011 Results with Budget

- Earnings were higher than budget as a result of higher than anticipated volumes, and service opportunities that arose during the year.
- Revenues were $2.4 million greater than the $31.8 million budget due primarily to higher revenues than expected for the non-potable and services lines of business.
- Expenses were $0.9 million less than the $31.6 million budget primarily due to favorable interest rates and debt management.

2012 Outlook

- SaskWater has budgeted total revenues to increase by 12.6 per cent ($4.3 million) to $38.5 million due to increased water supply to industrial customers.
- SaskWater expects to invest $7.0 million in infrastructure projects, net of customer contributions from industrial customers of $95.1 million.
- SaskWater has targeted net earnings of $1.6 million in 2012.

Key Factors Affecting Performance

- Weather: high rainfall decreases water sales.
- Industrial customer's product market conditions.
- Variability of Project Management services projects.
- Construction costs for capital infrastructure.

SUBSIDIARY CORPORATION PROFILES

Utilities

Information Services Corporation

Comparison of 2011 Results with 2010 Results

- In 2011, ISC was named one of Saskatchewan's Top Employers for the year and one of Canada's Best Diversity Employers.
- Business Registrations Saskatchewan launched in May. The website provides one online process to complete the steps required to register a business with the Corporate Registry, to register for Provincial Sales Tax (PST) with the Ministry of Finance and to register as an employer with Saskatchewan Workers' Compensation Board.
- ISC fully integrated the Corporate Registry in March 2011, following the Registry's formal transfer from the Ministry of Justice in 2010.
- As foundational steps in the modernization of the Vital Statistics Registry, ISC converted 3.6 million paper records into more easily accessible electronic format in 2011 and implemented a new software system to support the registry.
- Net earnings increased to $17.2 million (2010 - $15.6 million) primarily due to the increase in Land Registry revenue and a full year of Corporate Registry revenue, partially offset by increased employees costs, technology and research and development expenditures.
- Revenues of $70.8 million (2010 - $60.3 million) increased due to the addition of Corporate Registry and increased volumes in Land Registry resulting from the strong Saskatchewan economy.
- Expenses of $53.6 million (2010 - $44.7 million) increased by $8.9 million due to the impact of the first full year of Corporate Registry operating costs, coupled with increases in employee costs, technology and research and development expenditures.
- In 2011, debt was $11.0 million (2010 - $13.5 million).
- Capital spending was $6.9 million (2010 - $3.3 million), primarily related to Business Registration Saskatchewan, Vital Statistics modernization and leasehold improvements.

KEY FINANCIAL DATA

	2011 Actual	2011 Bus. Plan	2010 Actual	2009[1] Actual	2008[1] Actual	2007[1] Actual
Earnings	**$ 17.2M**	**$ 12.2M**	$ 15.6M	$ 15.1M	$ 22.4M	$ 23.0M
Dividends declared to CIC	**$ 15.5M**	**$ 11.0M**	$ 14.0M	$ 13.6M	$ 21.1M	$ 8.0M
Total assets	**$ 47.4M**	**$ 44.7M**	$ 43.9M	$ 44.7M	$ 40.1M	$ 46.8M
ROE	**90.8%**	**65.5%**	90.1%	95.4%	N/A	N/A
Debt ratio	**35.9%**	**36.6%**	42.8%	46.2%	48.5%	51.4%

[1] Amounts for 2009, 2008 and 2007 were prepared under former Canadian Generally Accepted Accounting Standards.

Comparison of 2011 Results with Budget

- Net earnings were $5.0 million more than budget, primarily due to increased revenues of $4.0 million and expense reductions of $1.0 million.
- Revenues were $4.0 million higher than $66.8 million budget, primarily due to higher volumes and prices in Land Registry, combined with a full year of revenues realized in Corporate Registry.
- Expenses were $1.0 million lower than the $54.7 million budget. Decreased expenditures were primarily due to lower wages and salaries and lower financing costs.
- Dividends to CIC were $4.5 million more than budget due to the higher net earnings.

2012 Outlook

- ISC's targeted 2012 net earnings are $13.9 million.
- Revenues are expected to remain strong in 2012 as the real estate market conditions are favourable due to the continued low interest and lending rates. Despite a predicted slowdown in Canada's economic growth, Saskatchewan's economic health continues to remain strong.
- ISC will continue to focus on growth while implementing efficiencies within operations.
- As Business Registrations Saskatchewan develops and work continues to modernize the Vital Statistics Registry and Corporate Registry, ISC will continue to enhance the service it provides to customers.

Key Factors Affecting Performance

- Volume of searches and registrations are driven by economic activity.
- Revenues are influenced by volume transactions and property values.
- Achievement of targeted cost reductions and cost containment.

SUBSIDIARY CORPORATION PROFILES

Insurance

Comparison of 2011 Results with 2010 Results

- Net earnings of $0.4 million (2010 - $49.3 million) was significantly lower than net earnings posted in 2010. This was reflective of a challenging underwriting year and an unsettled investment market climate in 2011. While the Corporation experienced strong premium growth, with the largest growth from Ontario auto, underwriting profits suffered as Saskatchewan experienced significant summer storm claims, and each out-of-province jurisdiction experienced a high number of large property losses.
- Premium revenues were $449.1 million (2010 - $405.3 million). The increase is a result of premium growth in all jurisdictions. Ontario and Alberta operations account for the majority of the growth.
- Investment earnings declined $37.2 million from 2010, consistent with the global investment market declines being experienced. Investment markets experienced significant volatility during the year. Although bonds had another strong year, significant decreases in equity prices led to lower investment earnings compared to 2010.
- Claims incurred increased to $290.6 million (2010 - $246.1 million) with the increase related largely to Saskatchewan experiencing significant summer storm claim costs of $32.4 million. This is the highest year on record for summer storm claims, after reinsurance, with 2010 being the second highest at $30.6 million.
- The MCT[2] for 2011 was below the target of 250 per cent, due to the lower operating results in the year. As such, no dividend was paid to CIC in 2011.

KEY FINANCIAL DATA

	2011 Actual	2011 Bus. Plan	2010 Actual	2009[1] Actual	2008[1] Actual	2007[1] Actual
Earnings	$ 0.4M	$ 43.1M	$ 49.3M	$ 52.4M	$ 40.4M	$ 35.1M
Dividend declared to CIC	$ Nil	$ 32.4M	$ 43.5M	$ 34.0M	$ 26.2M	$ 22.8M
Total assets	$ 981.8M	$ 964.5M	$ 905.3M	$ 827.4M	$ 717.3M	$ 707.2M
ROE	0.2%	16.6%	19.0%	26.5%	22.3%	20.9%
Minimum Capital Test[2]	222%	250%	247%	254%	228%	266%

[1] Amounts for 2009, 2008 and 2007 were prepared under former Canadian Generally Accepted Accounting Standards.
[2] The Minimum Capital Test (MCT) is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required.

Comparison of 2011 Results with Budget

- Earnings were $42.7 million less than budget due primarily to lower than planned investment returns and higher than expected claims costs.
- Revenues ($458.6 million) exceeded budget by $2.8 million. While investment earnings of $9.5 million were $7.1 million less than planned, auto premium revenues in Ontario and Alberta were higher than anticipated and contributed to a favourable $9.9 million premium revenue variance.
- Claims incurred ($290.6 million) were $47.3 million or 19.4 per cent higher than the budget ($243.3 million), primarily a reflection of the significant storm activity in Saskatchewan and the high number of large property losses outside Saskatchewan.

2012 Outlook

- SGI Canada's targeted 2012 net earnings are $33.7 million.
- The significant concentration of storm losses in Saskatchewan in 2011 demonstrates the benefit of geographic spread of risk. Diversification efforts to spread insurance risk geographically will continue to assist with lessening the impact of potential future weather events. The focus of diversification will be profitable, controlled growth in the markets SGI CANADA currently operates in, with no plan to enter new territories.
- While investment market volatility is always a risk, the Corporation plans to maintain its well diversified investment portfolio and prudent investment management policies and processes.
- A major industry development in the Canadian insurance industry has been consolidation among brokerages, and insurance company purchases of brokerages. To respond to these pressures, SGI CANADA will maintain a strong focus on remaining competitive while achieving profitable growth, protecting the ongoing viability of the Corporation and delivering on its mandate to provide quality insurance products at affordable prices.
- The Corporation recognizes the important role technology will play in the future. An eServices strategy has been established with an objective to gain efficiencies and improve productivity in the Corporation's and its brokers' business processes, adding value to the broker partnership and improving overall competitiveness. In addition, the Corporation has embarked on a business intelligence project that leverages data to assist with obtaining more profitable business, more accurately pricing risks and better managing and controlling claim costs. Phased-in implementation of aspects of this project began in 2011.

Key Factors Affecting Performance

- Weather conditions (for example, storm activity).
- Geographic diversification and the purchase of reinsurance, which passes part of the risk to other insurers, mitigates the effect of adverse weather conditions.
- Capital markets have a significant impact on investment earnings and profitability.
- Increased competition.

KEY OPERATIONAL DATA

	2011	2010	2009	2008	2007
Permanent full time employees	**1,807**	1,826	1,842	1,801	1,747
Net premiums written	**$471.6M**	$ 428.3M	$ 393.9M	$ 353.4M	$320.7M
Number of policies in force	**570,957**	563,922	550,821	534,732	510,449
Number of claims	**102,712**	92,294	85,722	79,836	80,147

Insurance

The Saskatchewan Auto Fund (the Auto Fund) is not a subsidiary Crown corporation. Its results are included in this report because of SGI's administration of the Auto Fund. The results of the Auto Fund are not included in CIC's or SGI's consolidated financial statements.

Comparison of 2011 Results with 2010 Results

- The Auto Fund posted a deficit of $142.9 million in 2011 (2010 - $92.7 million surplus). The deficit is primarily a result of considerable claim costs which increased $202.2 million over the prior year.
- Essentially, three unrelated events are combining to result in the higher claim costs - summer storms, actuarial analysis indicating worsening long-term injury claim costs, and financial market instability impacting claim discounting.
- Investment earnings declined $67.7 million from 2010, consistent with global investment market declines.
- Despite current year deficit, the Rate Stabilization Reserve remains in a surplus of $134.3 million (2010 - $271.9 million).
- The MCT[2] dropped to 60 per cent (2010 - 126 per cent). While portions of the loss have been a result of one-time claims and the current unstable investment markets, the Auto Fund is also experiencing a trend towards higher claim costs.

KEY FINANCIAL DATA

	2011 Actual	2011 Bus. Plan	2010 Actual	2009[1] Actual	2008[1] Actual	2007[1] Actual
Earnings (deficit)	**$ (142.9M)**	**$ (2.2M)**	$ 92.7M	$ (40.8M)	$ (42.7M)	$ 32.0M
Total assets	**$ 1,711.4M**	**$ 1,647.5M**	$ 1,644.5M	$ 1,486.2M	$ 1,342.7M	$ 1,371.7M
Minimum Capital Test[2]	**60%**	**87%**	126%	83%	61%	132%
Rate Stabilization Reserve	**$ 134.3M**	**$ 202.3M**	$ 271.9M	$ 67.2M	$ 102.5M	$ 141.0M

[1] Amounts for 2009, 2008 and 2007 were prepared under former Canadian Generally Accepted Accounting Standards.

[2] The Minimum Capital Test (MCT) is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required. The Auto Fund introduced the measure in 2005.

Comparison of 2011 Results with Budget

- The deficit of $142.9 million was $140.7 million higher than budgeted, a result of higher than expected claim costs and poor equity investment returns.
- Equity investment returns were $65.5 million below budget, consistent with the global investment market declines being experienced.
- Claim costs were significantly higher than planned, with major impacts being a one-time claims discounting cost related to investment portfolio restructuring to match claims liabilities ($35.5 million), unfavourable development on prior-year claims ($24.7 million) and higher than expected storm losses ($21.7 million).

2012 Outlook

- With the strength of the Saskatchewan economy, the Auto Fund anticipates continued revenue growth attributable to a newer vehicle base and positive growth in vehicle counts.
- Claim costs will continue to escalate due to more vehicles on the roads, rising vehicle repair costs in the province, higher income replacement benefits for injured persons and more frequent significant weather events.
- It is expected that challenging investment markets will continue due to sluggish economic growth. The significant loss experienced in 2011 resulted in a decline in the Auto Fund's capital base, and, as a result, the 12-month rolling average MCT is at risk of dropping below its target range during 2012.
- With the expected cost of Auto Fund claims and expenses outpacing growth in premium and investment income, the Auto Fund has submitted an application to the Saskatchewan Rate Review Panel for an average 3.7 per cent general increase in rates beginning in August 2012.

Key Factors Affecting Performance

- Weather conditions (for example winter driving conditions and summer storm activity).
- Reinsurance protection is purchased to mitigate the effects of catastrophic events on the Rate Stabilization Reserve.
- Returns from capital markets have a significant impact on investment earnings and the Rate Stabilization Reserve balance.

SUBSIDIARY CORPORATION PROFILES

Entertainment

SaskGaming

Comparison of 2011 Results with 2010 Results

- SaskGaming's performance improved substantially in 2011 compared to the previous year after recovering from a 53-day labour disruption in summer 2010.
- Net earnings were $25.9 million (2010 - $22.0 million), up $3.9 million, which represents an increase of 17.7 per cent.
- Revenues increased from $126.1 million in 2010 to $134.6 million in 2011, an increase of 6.7 per cent. Revenue growth was driven, in part, by record guest visitation in 2011. SaskGaming's guest count was 3.5 million in 2011, up 3.3 per cent from 2010.
- Expenses rose 0.4 per cent in 2011 or $0.3 million from $82.5 million in 2010 to $82.8 million in 2011. SaskGaming limited growth in operating expenses to 2.7 per cent, which were partially offset by decreases in depreciation, taxes and financing costs.
- SaskGaming achieved Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) margin of 49.4 per cent in 2011, up substantially from 43.5 per cent in 2010, mainly due to the increase in revenues.
- Debt was $20.8 million in 2011. During the year, SaskGaming reduced debt by $2.8 million from available cash flow. As a result, SaskGaming's debt ratio declined from 35.6 per cent in 2010 to 33.8 per cent in 2011.
- Capital expenditures in 2011 totaled $3.9 million. Major projects included a gaming system upgrade, development of a new staff scheduling system and upgrades to its parking lot equipment.

KEY FINANCIAL DATA

	2011 Actual	2011 Budget	2010 Actual	2009[1] Actual	2008[1] Actual[2]	2007[1] Actual[3]
Earnings	$ 25.9M	$ 25.5M	$ 22.0M	$ 25.4M	$ 19.1M	$ 43.8M
Dividends paid to CIC	$ 20.7M	$ 20.4M	$ 19.4M	$ 20.3M	$ 15.3M	N/A[5]
Total assets	$ 83.0M	$ 83.2M	$ 83.0M	$ 78.4M	$ 82.0M	$ 70.4M
Debt ratio	33.8%	44.3%	35.6%	50.4%	45.8%	N/A[4]

[1] Amounts for 2009, 2008 and 2007 were prepared under former Canadian Generally Accepted Accounting Standards.
[2] Nine months of operations - April 1, 2008 to December 31, 2008 after payment to GRF.
[3] Twelve months of operations - April to March before any payments to the GRF.
[4] SGC retained no equity prior to April 1, 2008.
[5] Prior to April 1, 2008, SGC was a Treasury Board Crown Corporation, and as such, its results were not consolidated with CIC's.

Comparison of 2011 Results with Budget

- Net income of $25.9 million is $0.4 million above the $25.5 million budget for 2011 mainly attributable to aggressive expense management in light of lower-than-anticipated revenues.
- Actual revenues of $134.6 million are below the 2011 budget of $140.3 million by $5.7 million. The lower-than-anticipated revenues are primarily due to lower-than-budgeted slot revenues ($4.1 million) due to capacity issues at peak periods. Additionally, table revenues are less than budget by approximately $0.5 million while other revenues ($1.1 million) are also down relative to budget due to revenues from parking, food and beverage as well as ticket sales being less than anticipated.
- Actual expenses of $82.8 million are $6.4 million less than the $89.2 million budgeted for in 2011. The major expense reductions are attributable to lower than budgeted salaries and benefits ($1.8 million) due to full-time equivalents reductions, vacancy management and block shift changes as well as depreciation ($1.5 million) being less than budgeted due to delays in capital spending. SaskGaming also reduced spending in advertising and promotions and entertainment by nearly $1.1 million.

2012 Outlook

- SGC's targeted net earnings for 2012 are $26.0 million.
- Revenues are budgeted at $140.7 million in 2012 (an increase of $6.1 million over the actual level of $134.6 million in 2011 and near the $140.3 million budgeted in 2011).
- Expenses are budgeted at $89.5 million ($6.7 million higher than the actual and slightly higher than the $89.2 million budgeted for in 2011) mainly due to expected increases in operating expenses and depreciation expense.
- SaskGaming will deliver on its Performance Management Plan by exceeding guests' expectations; offering an excellent employee experience by enhancing learning/continuous improvement opportunities, internal communication and employee safety; demonstrating good corporate citizenship/employing gaming industry best practices via its responsible gaming and community giving/sponsorship programs as well as providing environmental stewardship by reducing greenhouse gas emissions at Casino Regina; and ensure the Corporation's long-term sustainability by pursuing new revenue opportunities, optimizing guest attraction/retention strategies, enhancing efficiency and effectiveness, modernizing technology infrastructure as well as continuing to develop/implement effective risk management and compliance regimes.

Key Factors Affecting Performance

- Mature gaming market and saturation of key target markets causing flattening revenue growth.
- Capacity constraints limit ability to meet guest demand during peak periods.
- Increasing competition from internet gaming, and other gaming competitors, for gaming public's attention.
- Acceptance of gaming as a preferred entertainment alternative remains ranked relatively low by the public.
- Uncertain global economic conditions could negatively impact provincial economic and employment growth reducing growth in personal disposable income.

SUBSIDIARY CORPORATION PROFILES

Transportation

STC
The Bus Company

Comparison of 2011 Results with 2010 Results

- STC's ridership increased 7.4 per cent from 2010. The improvement in ridership reflects the positive effects of advertising campaigns, enhanced on-board amenities, and seat sales. Seat sales in 2011 included the seniors' sale in May and September and the youth pass promotion running June to August.
- Focus remained on improving the customer experience with the addition of WiFi to over 75.0 per cent of the fleet. In a customer survey, 93.0 per cent of respondents rated STC's overall service as good or excellent.
- Operating loss of $11.4 million before grant funding (2010 - $10.9 million loss) increased by $0.5 million due to increased fuel prices, expanded advertising projects and higher maintenance service costs offset by increased passenger revenues and reduced pickup and delivery and building maintenance costs.
- CIC provided grants of $10.7 million (2010 - $9.3 million) to cover the operating cash shortfall and capital expenditures.
- Operating revenues were $16.7 million (2010 - $16.2 million). The increase is primarily due to an increase in ridership.
- Operating expenses of $28.1 million (2010 - $27.1 million) increased primarily due to higher fuel prices, expanded advertising projects and higher maintenance service costs.
- Capital spending was $0.9 million (2010 - $2.1 million). The decrease is due to $1.1 million of outstanding purchase commitments for 2011 projects to be completed in 2012.

KEY FINANCIAL DATA

	2011 Actual	2011 Bus. Plan	2010 Actual	2009[1] Actual	2008[1] Actual	2007[1] Actual
Loss	$ (0.3M)	$ (0.5M)	$ 0.0M	$ (0.8M)	$ (0.8M)	$ (0.3M)
Operating loss	$ (11.4M)	$ (11.7M)	$ (10.9M)	$ (10.6M)	$ (8.5M)	$ (6.7M)
Operating grant from CIC	$ 8.7M	$ 8.9M	$ 8.4M	$ 7.8M	$ 6.2M	$ 5.0M
Capital grant from CIC	$ 2.0M	$ 2.0M	$ 0.9M	$ 1.8M	$ 9.0M	$ 15.6M
Passenger loss per mile	$ 2.44	$ 2.55	$ 2.29	$ 2.22	$ 1.75	$ 1.40

[1] Amounts for 2009, 2008 and 2007 were prepared under former Canadian Generally Accepted Accounting Standards.

Comparison of 2011 Results with Budget

- Operating loss of $11.4 million before grant funding was $0.3 million lower than budgeted primarily due to an increase in ridership and savings in pickup and delivery costs, ticket and waybill purchases, training and travel costs.
- Revenues were $0.1 million higher than the $16.5 million budget due to an increase in passenger revenues (due to increased ridership) partially offset by a decrease in express services caused by the loss of several large freight contracts.
- Expenses were $0.1 million below the $28.2 million budget primarily due to savings in pickup and delivery costs, ticket and waybill purchases, training and travel costs.

2012 Outlook

- STC targeted net loss for 2012 is $0.4 million after CIC operating grants.
- STC expects capital spending of $2.3 million in 2012, mainly for expenditures on fleet replacement and building improvements.
- New and innovative marketing programs and other customer service enhancements will continue to be undertaken to increase ridership.

Key Factors Affecting Performance

- Fluctuating fuel prices.
- Competitive freight market.
- STC continues to focus on its image, services and public awareness in order to increase ridership levels and revenues.
- Greyhound schedule changes.

SUBSIDIARY CORPORATION PROFILES

Investment & Economic Growth

CIC Asset Management Inc.

Comparison of 2011 Results with 2010 Results

- CIC AMI's focus is on prudently managing the existing portfolio with the mandate to sell its assets in an orderly manner. Investment activity is limited to fulfilling previous commitments and making add-on investments where additional disbursements will protect CIC AMI's assets.
- CIC AMI had net earnings of $35.3 million in 2011 compared to a net loss of $17.1 million in 2010.
- The improvement in net earnings is attributable to non-recurring 2011 recoveries of environmental remediation liabilities of $41.8 million and a recovery of reinsurance liabilities of $4.9 million.
- Revenue of $6.9 million in 2011 was lower than the $8.8 million reported in 2010 which is mainly attributable to decreased interest revenue on CIC AMI's debt investments.
- Expenses of $1.4 million in 2011 decreased from $2.2 million reported in 2010. This is mainly due to lower operating expenses as CIC AMI continues to sell its investment holdings.
- Investment disbursements of $3.9 million in 2011 are higher than the $2.0 million reported in 2010 due to increased add-on investment activity.
- The provision for environmental remediation liabilities decreased by $41.8 million in 2011 to $60.8 million. This decrease is due to management's change in estimates related to the expected costs of remediation.
- The provision for reinsurance liabilities decreased by $10.9 million in 2011 to $Nil. This decrease is a result of CIC AMI settling the reinsurance liabilities for a cash payment of $6.0 million resulting in a recovery of reinsurance liabilities of $5.0 million which includes other cash recoveries of $0.1 million related to the settlement.

KEY FINANCIAL DATA

	2011 Actual	2011 Bus. Plan	2010 Actual	2009[1] Actual	2008[1] Actual	2007[1] Actual
Earnings (loss)	$ 35.3M	$ (7.1M)	$ (17.1M)	$ (32.8M)	$ 691.0M	$ 11.5M
Dividend declared to CIC	$ Nil	$ Nil	$ Nil	$ 34.0M	$ 543.0M	$ 10.3M
Total assets	$ 265.4M	$ 226.5M	$ 286.7M	$ 392.8M	$ 564.5M	$ 652.5M
ROE	17.5%	(6.6%)	(10.1%)	(12.2%)	210.0%	2.4%
Debt ratio	N/A	N/A	N/A	N/A	18.0%	13.0%

[1] Amounts for 2009, 2008 and 2007 were prepared under former Canadian Generally Accepted Accounting Standards.

Comparison of 2011 Results with Budget

- Net earnings of $35.3 million were significantly higher than the $7.1 million net loss budgeted. This is primarily due to recoveries of environmental remediation liabilities totaling $41.8 million and a recovery of reinsurance liabilities totaling $5.0 million.
- Distributions to CIC from CIC AMI depend on a cash availability formula. The form of cash disbursement can be either dividend or share retraction depending on the needs of the shareholder. During the year, there were no dividends paid to CIC or shares retracted by CIC.

2012 Outlook

- CIC AMI's targeted net loss for 2012 is $1.6 million.
- In 2012, CIC AMI will pursue its mandate to prudently manage and divest its existing portfolio of investments.
- Investment activity is expected to be limited to small protective disbursements which may be required to position investees for sale. Protective investments are generally made to maximize recovery of the initial investment.
- Commodity prices for most investments are expected to remain at current levels while the North American economy stabilizes. CIC AMI does not expect any significant improvement in its two commodity based investments Meadow Lake OSB Limited Partnership and Big Sky Farms Inc.
- If market conditions permit, CIC AMI expects to divest seven investments in 2012.

Key Factors Affecting Performance

- CIC AMI has investments whose products are exposed to commodity markets. Valuation of these investments is closely tied to the underlying commodity prices.
- CIC AMI is involved as a minority shareholder in several high risk venture capital investments. The valuation of these investments is subject to volatility.
- Changes in U.S./Canadian exchange rates can significantly impact the value of a commodity.
- The outcome of outstanding litigation issues could have an impact on the value of some investments.
- Potential adjustments to the valuation of environmental remediation liabilities may have a material impact on CIC AMI's future performance.

SUBSIDIARY CORPORATION PROFILES

Investment & Economic Growth

Comparison of 2011 Results with 2010 Results

- 2011 was again a financially strong year for SOCO with revenues increasing 9.9 per cent and operating cash flows increasing 23.5 per cent.
- Ownership of all assets operated by SOCO was transferred back to the Corporation from the GRF in 2011 resulting in an increased asset balance and a corresponding increase in amortization expense.
- Earnings of $4.6 million in 2011 decreased $1.5 million from 2010. This decrease can be mainly attributed to the increased amortization expense from the transferred assets. Excluding the impact of increased amortization, earnings increased $1.8 million.
- Overall revenue of $39.7 million is up $3.6 million from $36.1 million reported in 2010. The core rental operations remain strong with revenue increasing $4.1 million in 2011 due to increased rental rates and occupancy within the Parks as well as increases in related service revenue. Utilization at the Bio Processing Centre decreased in 2011 resulting in a $0.4 million decrease in revenue from 2010.
- Expenses of $33.5 million increased $5.0 million from $28.5 million in 2010. Rental operations expense increased $5.2 million from the prior year with increased amortization accounting for $3.3 million of this increase. Also reflected in the increase are increased asset impairment losses of $0.5 million and general increases in operating expenses. Bio-Processing expenses decreased $0.2 million from 2010 due to the decrease in processing activity. Administration expenses were consistent with the prior year.
- Net financing costs increased $0.1 million from 2010 due to conversion of short-term debt to long-term debt during 2010.
- Investment in capital assets was $8.2 million in 2011 increasing $4.7 million from 2010.
- Total debt outstanding at year end was $36.7 million, unchanged from the prior year.

KEY FINANCIAL DATA

	2011 Actual	2011 Budget	2010 Actual	2009[1] Actual	2008[1] Actual	2007[1] Actual
Earnings	$ 4.6M	$ 4.6M	$ 6.1M	$ 4.1M	$ 5.1M	$ 3.7M
Total assets	$ 191.0M	$ 195.6M	$ 67.5M	$ 66.3M	$ 64.7M	$ 51.7M
Capital spending	$ 8.2M	$ 15.5M	$ 3.5M	$ 6.2M	$ 14.1M	$ 15.9M
Debt ratio	17.2%	22.6%	58.3%	53.5%	58.2%	61.7%

[1] Amounts for 2009, 2008 and 2007 were prepared under former Canadian Generally Accepted Accounting Standards.

Comparison of 2011 Results with Budget

- Earnings for 2011 were essentially on target with budget.

2012 Outlook

- SOCO's targeted net earnings for 2012 are $4.0 million.

Key Factors Affecting Performance

- Demand for space versus the vacant space available.
- Market rental rates.
- The impact on tenants of current economic conditions.

Consolidated Financial Statements

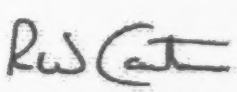
RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by management of Crown Investments Corporation of Saskatchewan. They have been prepared in accordance with International Financial Reporting Standards, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the consolidated financial statements and other information contained in this Annual Report.

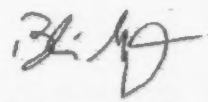
The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, the Corporation's external auditors KPMG LLP, and the Provincial Auditor for Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. Management's attestation on the adequacy of financial controls appears opposite. The Provincial Auditor for Saskatchewan has reported to the Legislative Assembly that financial controls are adequately functioning.

KPMG LLP has audited the consolidated financial statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the consolidated financial statements, appears on the following page.



R.W. (Dick) Carter, FCA
President & CEO



Blair Swystun, CFA
Senior Vice-President & CFO

March 29, 2012

ANNUAL STATEMENT OF MANAGEMENT RESPONSIBILITY

I, R.W. (Dick) Carter, the President and Chief Executive Officer of Crown Investments Corporation of Saskatchewan, and I, Blair Swystun, the Senior Vice President and Chief Financial Officer of Crown Investments Corporation of Saskatchewan, certify the following:

That we have reviewed the consolidated financial statements included in the Annual Report of Crown Investments Corporation of Saskatchewan. Based on our knowledge, having exercised reasonable diligence, the consolidated financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2011.

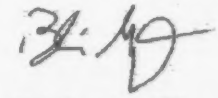
That based on our knowledge, having exercised reasonable diligence, the consolidated financial statements included in the Annual Report of Crown Investments Corporation of Saskatchewan do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

That Crown Investments Corporation of Saskatchewan is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and Crown Investments Corporation of Saskatchewan has designed internal controls over financial reporting that are appropriate to the circumstances of Crown Investments Corporation of Saskatchewan.

That Crown Investments Corporation of Saskatchewan conducted its assessment of the effectiveness of the Corporation's internal controls over financial reporting and, based on the results of this assessment, Crown Investments Corporation of Saskatchewan can provide reasonable assurance that internal controls over financial reporting as of December 31, 2011 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

On behalf of Management;

R.W. (Dick) Carter, FCA
President & CEO



Blair Swystun, CFA
Senior Vice-President & CFO

March 29, 2012

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying consolidated financial statements of **Crown Investments Corporation of Saskatchewan**, which comprise the consolidated statement of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Crown Investments Corporation of Saskatchewan as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

March 29, 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT

	Note	December 31 2011	December 31 2010	January 1 2010
ASSETS				
Current				
Cash and cash equivalents	5	$ 371,781	$ 404,528	$ 349,034
Short-term investments	6	398,638	210,613	501,054
Accounts receivable	7(d)	612,696	599,801	604,827
Restricted cash and cash equivalents	8	62,617	128,818	84,698
Derivative financial assets	7	84,092	79,124	51,827
Inventories	9	378,368	397,748	414,107
Prepaid expenses		164,373	136,298	117,390
Assets classified as held-for-sale	10	-	41,729	43
		2,072,565	1,998,659	2,122,980
Restricted cash and cash equivalents	8	4,900	20,000	166,693
Investments	6	1,078,190	1,014,894	1,038,383
Investments in equity accounted investees	11	140,732	167,508	168,654
Property, plant and equipment	12	8,239,329	7,579,984	7,109,745
Investment property	13	174,789	53,724	52,935
Intangible assets	14	270,929	210,695	224,851
Other assets	15	21,624	20,866	24,776
		$ 12,003,058	$ 11,066,330	$ 10,909,017
LIABILITIES AND PROVINCE'S EQUITY				
Current				
Bank indebtedness		$ 13,191	$ 11,239	$ 15,706
Trade and other payables		684,498	571,426	572,374
Derivative financial liabilities	7	150,813	113,758	66,621
Notes payable	16	696,464	472,851	423,725
Deferred revenue	17	403,621	457,037	376,079
Provisions	18	159,588	125,780	118,989
Current portion of finance lease obligations	19	3,632	3,502	2,122
Liabilities classified as held-for-sale	10	-	1,635	262
Long-term debt due within one year	20	52,446	15,035	175,660
		2,164,253	1,772,263	1,751,538
Provisions	18	440,177	431,233	395,770
Finance lease obligations	19	558,406	415,947	418,548
Long-term debt	20	3,952,858	3,953,023	3,520,290
Employee future benefits	21	588,324	360,525	353,255
Other liabilities	22	77,998	71,721	206,570
		7,782,016	7,004,712	6,645,971
Province of Saskatchewan's Equity				
Equity advances	23	1,051,839	931,152	1,051,152
Contributed surplus		125	161	136
Retained earnings		3,169,782	3,131,216	3,212,366
Accumulated other comprehensive loss	24	(704)	(911)	(608)
		4,221,042	4,061,618	4,263,046
		$ 12,003,058	$ 11,066,330	$ 10,909,017
Commitments and contingencies (See accompanying notes)	25			

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31

	Note	2011	2010
INCOME FROM OPERATIONS			
Revenue		$ 4,523,571	$ 4,378,779
Other income		33,785	114,999
		4,557,356	4,493,778
EXPENSES			
Operating		2,423,734	2,392,410
Salaries, wages and short-term employee benefits		789,566	768,979
Employee future benefits		53,046	65,893
Depreciation and amortization	26	550,216	514,618
Loss on disposal of property, plant and equipment		7,165	9,719
Impairment losses on investment property	13	691	207
Research and development		6,076	5,815
(Recovery of) provision for decommissioning and environmental remediation liabilities	18	(38,783)	5,041
Saskatchewan taxes and fees	27	126,027	117,002
		3,917,738	3,879,684
RESULTS FROM OPERATING ACTIVITIES		639,618	614,094
Finance income	28	104,189	95,554
Finance expenses	28	(325,594)	(295,101)
NET FINANCE EXPENSES		(221,405)	(199,547)
EARNINGS FROM OPERATIONS		418,213	414,547
Share of net earnings from equity accounted investees	11	10,437	16,933
EARNINGS FROM CONTINUING OPERATIONS		428,650	431,480
Gain from discontinued operations	10	30,802	4,822
Net loss on sale of equity accounted investees	11(d)	(8,576)	–
NET EARNINGS		450,876	436,302
OTHER COMPREHENSIVE LOSS			
Defined benefit plan actuarial losses	21	(283,810)	(47,400)
Share of changes in comprehensive income recognized by associates		234	349
Foreign currency translation adjustments	28	436	(144)
Unrealized (loss) gain on cash flow hedges	28	(118)	516
Other		(345)	(1,024)
OTHER COMPREHENSIVE LOSS		(283,603)	(47,703)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN		$ 167,273	$ 388,599

(See accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31

	Attributable to the Province of Saskatchewan				
	Equity Advances (Note 23)	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss (Note 24)	Total Equity
Balance at January 1, 2010	$ 1,051,152	$ 136	$ 3,212,366	$ (608)	$ 4,263,046
Total comprehensive income (loss)	-	-	436,302	(47,703)	388,599
Equity repayments	(120,000)	-	-	-	(120,000)
Transfers to retained earnings	-	-	(47,400)	47,400	-
Dividends to GRF	-	-	(471,000)	-	(471,000)
Other	-	25	948	-	973
Balance at December 31, 2010	$ 931,152	$ 161	$ 3,131,216	$ (911)	$ 4,061,618
Balance at January 1, 2011	**$ 931,152**	**$ 161**	**$ 3,131,216**	**$ (911)**	**$ 4,061,618**
Total comprehensive income (loss)	**-**	**-**	**450,876**	**(283,603)**	**167,273**
Equity advances	**120,687**	**-**	**-**	**-**	**120,687**
Transfers to retained earnings	**-**	**-**	**(283,810)**	**283,810**	**-**
Dividends to GRF	**-**	**-**	**(128,500)**	**-**	**(128,500)**
Other	**-**	**(36)**	**-**	**-**	**(36)**
Balance at December 31, 2011	**$ 1,051,839**	**$ 125**	**$ 3,169,782**	**$ (704)**	**$ 4,221,042**

(See accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

	Note	2011	2010
OPERATING ACTIVITIES			
Net earnings		$ 450,876	$ 436,302
Adjustments to reconcile net earnings to cash from operating activities	29	734,341	732,964
		1,185,217	1,169,266
Net change in non-cash working capital balances related to operations		166,402	60,901
Interest paid		(302,898)	(294,546)
Cash provided by operating activities from continuing operations		1,048,721	935,621
Cash provided by operating activities from discontinued operations		64,393	3,690
Net cash from operating activities		1,113,114	939,311
INVESTING ACTIVITIES			
Interest received		28,362	30,102
Dividends received		7,371	8,823
Purchase of investments		(750,534)	(537,113)
Proceeds from sale and collection of investments		585,749	902,546
Purchase of property, plant and equipment		(1,015,585)	(982,679)
Proceeds from sale of property, plant and equipment		2,697	4,751
Purchase of intangible assets		(100,208)	(38,305)
Purchase of investment property		(7,822)	(3,138)
Decrease in restricted cash and cash equivalents		91,565	107,067
Decrease in other assets		766	1,196
Net cash used in investing activities		(1,157,639)	(506,750)
FINANCING ACTIVITIES			
Increase in notes payable		223,613	49,126
Decrease in other liabilities		(84,073)	(81,258)
Debt proceeds from GRF		3,900	441,675
Debt repayments to GRF		(12,401)	(170,000)
Debt proceeds from other lenders		48,620	6,518
Debt repayments to other lenders		(5,027)	(6,902)
Sinking fund instalments		(42,333)	(36,001)
Sinking fund redemptions		-	21,269
Repayment of equity advances		-	(120,000)
Dividend paid to GRF		(128,500)	(471,000)
Net cash from (used in) financing activities		3,799	(366,573)
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR		(40,726)	65,988
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		399,316	333,328
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 358,590	$ 399,316
Cash and cash equivalents consists of:			
Cash and cash equivalents from continuing operations		$ 371,781	$ 404,528
Bank indebtedness from continuing operations		(13,191)	(11,239)
		358,590	393,289
Cash and cash equivalents from discontinued operations	10	-	6,027
		$ 358,590	$ 399,316

(See accompanying notes)

Notes to Consolidated Financial Statements

1. General information

Crown Investments Corporation of Saskatchewan (CIC) is a corporation domiciled in Canada. The address of CIC's registered office and principal place of business is 400 - 2400 College Avenue, Regina, SK, S4P 1C8. The consolidated financial statements of CIC comprise CIC and its subsidiaries (collectively referred to as "CIC" or "the Corporation") and CIC's interests in associates, jointly controlled entities and jointly controlled assets with principal activities as described in Note 3(a).

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These are CIC's first consolidated financial statements prepared in accordance with IFRS and IFRS 1 - *First-time Adoption of International Financial Reporting Standards* has been applied.

The Corporation's consolidated financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). An explanation of how the transition from GAAP to IFRS has affected the reported financial position, financial performance and cash flows of CIC is provided in Note 31.

The consolidated financial statements were authorized for issue by the Board of Directors on March 29, 2012.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Financial assets at fair value through profit or loss are measured at fair value (Note 7);
- Derivative financial instruments are measured at fair value (Note 7); and
- The accrued defined benefit asset or liability is measured at fair value (Note 21).

c) Functional and presentation currency

The consolidated financial statements are presented in Canadian Dollars, which is CIC's functional currency.

d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Significant items subject to estimates and assumptions include the carrying amounts of prepaid expenses, property, plant and equipment and underlying estimations of useful lives of depreciable assets, capitalization of interest, provisions, the carrying amounts of accounts receivable including unbilled revenue, inventory, investments, natural gas in storage, intangible assets and investment property, the accounting for special purpose entities, discontinued operations, fair value of financial instruments, and the carrying amounts of employee future benefits including underlying actuarial assumptions. These significant areas are further described in the summary of significant accounting policies Note 3 and Notes 6, 7, 9, 10, 11, 12, 13, 14, 18, 21, 22, 25 and 26.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS. The accounting policies have been consistently applied by CIC's subsidiaries.

a) Basis of consolidation

Subsidiaries

Saskatchewan provincial Crown corporations are either designated as subsidiary Crown corporations of CIC or created as CIC Crown corporations under *The Crown Corporations Act, 1993* (the Act). The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

In addition to the Crown corporations listed below, CIC also consolidates the accounts of Gradworks Inc., a wholly-owned non-profit subsidiary, and the following wholly-owned share capital subsidiaries: CIC Asset Management Inc.; First Nations and Métis Fund Inc.; CIC Economic Holdco Ltd.; Saskatchewan Immigrant Investor Fund Inc. (SIIF); and CIC Apex Equity Holdco Ltd., all of which are domiciled in Canada.

Separate audited financial statements for CIC have been prepared to show the financial position and results of operations of the corporate entity. In addition, audited financial statements for each of the undernoted Crown corporations, which are consolidated in these financial statements, are prepared and released publicly:

Wholly-owned subsidiaries domiciled in Canada	Principal activity
Information Services Corporation of Saskatchewan (ISC)	Registry services
SaskEnergy Incorporated (SaskEnergy)	Natural gas storage and delivery
Saskatchewan Development Fund Corporation (SDFC)	Inactive
Saskatchewan Gaming Corporation (SGC)	Entertainment
Saskatchewan Government Insurance (SGI)	Property and casualty insurance
Saskatchewan Opportunities Corporation (SOCO)	Research parks
Saskatchewan Power Corporation (SaskPower)	Electricity
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications
Saskatchewan Transportation Company (STC)	Passenger and freight transportation
Saskatchewan Water Corporation (SaskWater)	Water and waste water management

Associates and jointly controlled entities (investments in equity accounted investees)

Associates are those entities in which CIC has significant influence, but not control, over strategic financial and operating decisions. Significant influence is presumed to exist when CIC holds between 20.0 and 50.0 per cent of the voting power of another entity. Jointly controlled entities are those entities over whose activities CIC has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method and are recognized initially at cost. CIC's investment includes any goodwill identified at acquisition, net of accumulated impairment losses. The consolidated financial statements include CIC's share of the total comprehensive income and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of CIC, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When CIC's share of losses exceeds its interest in equity accounted investees, the carrying amount of that interest is reduced to $Nil and the recognition of further losses is discontinued except to the extent that CIC has an obligation or has made payments on behalf of the investee.

Jointly controlled assets

Jointly controlled assets involve the joint control of one or more assets acquired for and dedicated to the purpose of a joint venture. The consolidated financial statements include CIC's proportionate share of the jointly controlled assets, incurred liabilities and income and expenses as well as any liabilities and expenses that CIC has incurred directly with respect of its 50.0 per cent interest in the Kisbey Gas Gathering and Processing Facility and the Totnes Natural Gas Storage Facility.

Special purpose entities

CIC has established certain special purpose entities (SPEs) for trading and investment purposes. CIC does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with CIC and the SPE's risks and rewards, CIC concludes that it controls the SPE. SPEs controlled by CIC were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in CIC receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

CIC has two SPEs, Meadow Lake Pulp Limited Partnership and 212822 Saskatchewan Ltd. These SPEs are not material to CIC's consolidated results.

Transactions eliminated on consolidation

Inter-group balances and transactions, and any unrealized income and expenses arising from inter-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with investments in equity accounted investees are eliminated against the investment to the extent of CIC's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Cash and cash equivalents

Cash and cash equivalents include short-term investments that have a maturity date of ninety days or less.

c) Inventories

Inventories for resale, including natural gas in storage held for resale, are valued at the lower of weighted average cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Net realizable value for natural gas inventory is determined using natural gas market prices based on anticipated delivery dates. Natural gas in storage held for resale is charged to inventory when purchased and expensed as sold.

Other supplies inventories are valued at the lower of weighted average cost and net realizable value. Replacement cost is used as management's best estimate of the net realizable value for other supplies inventory. In establishing the appropriate provision for supplies inventory obsolescence, management estimates the likelihood that supplies inventory on hand will become obsolete due to changes in technology. Other supplies are charged to inventory when purchased and expensed or capitalized when used.

d) Deferred funding from the Province of Saskatchewan's General Revenue Fund (GRF)

Funding transferred to the Corporation from the GRF, restricted for carbon capture and storage initiatives, is recorded as restricted cash and cash equivalents with a corresponding amount recorded as deferred revenue. As qualifying expenditures are made, the Corporation recognizes an equivalent amount of this funding in consolidated net earnings and reduces restricted cash and cash equivalents and deferred revenue by the same amount.

e) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of the asset. The cost of self-constructed assets includes materials, services, direct labour, directly attributable overheads, and other costs directly attributable to preparing the asset for its intended use. Interest costs associated with major capital and development projects that are six months or longer in duration are capitalized during the construction year at the weighted average cost of long-term borrowings. Assets under construction are recorded as in progress until operational and available for use, at which time they are transferred to property, plant and equipment.

Costs are recognized as an asset if it is probable that economic benefits associated with the item will flow to the Corporation and the cost can be reliably measured. Significant renewals and enhancements to existing assets are capitalized only if the useful life of the asset is increased, physical output, service capacity or quality is improved above original design standards, or operating costs are reduced by a substantial and quantifiable amount that can be reliably measured. The costs of maintenance, repairs, renewals or replacements which do not provide benefits into the future are charged to operating expense as incurred.

Significant parts of an item of property, plant and equipment that have different useful lives are accounted for as separate items of property, plant and equipment.

When property, plant and equipment is disposed of or retired, the related costs less accumulated depreciation and impairment losses are eliminated from the accounts. Any resulting gains or losses are reflected in net earnings in the year of disposal.

f) Depreciation of property, plant and equipment

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual amount. Depreciation is recorded primarily on the straight-line basis over the useful life of each asset as follows:

Machinery and equipment	2 - 100 years
Buildings and improvements	3 - 100 years
Coal properties and rights	21 years

The useful life and depreciation method are reviewed periodically to ensure consistency with the expected pattern of economic benefits from these assets.

Assets held under finance leases are depreciated over their expected useful economic lives on the same basis as for owned assets, or where shorter, the lease term.

g) Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

For acquisitions on or after January 1, 2010, the Corporation measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in net earnings.

In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed costs, which represents the amount recorded under GAAP.

Subsequent to acquisition, goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

On disposal of a subsidiary or a jointly controlled entity, the attributed amount of goodwill is included in the determination of the gain or loss on disposal.

Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in net earnings when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if the amount can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and CIC intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Interest costs related to the development of qualifying assets are capitalized. Other development expenditures are recognized in net earnings as incurred.

Capitalized development expenditures are measured at cost less accumulated amortization and impairment losses. Amortization is recognized in net earnings on a straight-line basis over an estimated useful life of one to five years.

Finite-life intangibles

Finite-life intangible assets, acquired individually, with a group of other assets, or through CIC's authorized dealers are measured at cost of acquisition or development less accumulated amortization and accumulated impairment losses and may include direct development costs, and overhead costs directly attributable to the development activity. Customer accounts acquired are measured at cost less accumulated amortization and any accumulated impairment losses, and are amortized on a straight-line basis over an estimated useful life of five to ten years from the date of acquisition.

Capitalized software includes externally purchased software packages as well as external and internal direct labour costs related to internally developed programs. Software development costs are capitalized if it is probable that the asset developed will generate future economic benefits. Software is amortized on a straight-line basis over an estimated useful life of one to fifteen years from the date of acquisition. Maintenance of existing software programs is expensed as incurred.

Estimated useful lives of finite-life intangible assets are reviewed annually with any changes applied prospectively.

Indefinite-life intangibles

Spectrum licenses, for wireless telecommunication services, have been classified as indefinite-life intangible assets due to the current licensing terms, the most significant of which are minimal renewal fees and no regulatory precedent of material license revocation. Should these factors change the classification as indefinite life will be reassessed. The licenses are not subject to amortization and are carried at cost less accumulated impairment losses.

h) Investment property

Properties held for rental purposes are classified as investment properties and are measured at cost less accumulated amortization and impairment losses. Amortization is recorded on investment property on the straight-line basis over the estimated life of each asset as follows:

Buildings	20 - 80 years
Infrastructure	25 - 60 years
Leasehold improvements	Lease term

Depreciation commences when the asset is ready for its intended use. The useful life and depreciation method are reviewed periodically to ensure consistency with the expected pattern of economic benefits from these assets.

i) Other assets

Accrued pension asset

Accrued pension asset represents the surplus in the defined benefit pension plans based on long-term assumptions. The deferred benefit pension asset is accounted for in accordance with the policy described in Note 3 (p) - Employee future benefits.

Deferred supply agreements

Deferred supply agreements include payments made in accordance with long-term coal supply agreements. CIC is amortizing the deferred assets over the remaining life of the long-term coal supply agreements.

j) Financial instruments

CIC classifies its financial instruments into one of the following categories: fair value through profit or loss; loans and receivables; and other liabilities.

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

All financial instruments are measured at fair value on initial recognition. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments at fair value through profit or loss in which case the transaction costs are expensed as incurred. Measurement in subsequent years depends on the classification of the financial instrument.

Financial instruments at fair value through profit or loss

Financial assets and financial liabilities are classified as fair value through profit or loss if those instruments are held for trading or designated as such upon initial recognition. A financial asset or financial liability is classified as held for trading if it has been acquired with the intention of generating profits in the near term or is part of a portfolio of financial instruments that are managed together where there is evidence of a recent pattern of short-term profit taking. A financial asset or financial liability is designated as fair value through profit or loss if the Corporation manages such instruments and makes decisions based on the fair value of those instruments in accordance with the Corporation's documented risk management or investment strategy. Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value with any revaluation gains and losses recognized in net earnings. The Corporation classifies cash and cash equivalents, derivative financial assets and liabilities that do not qualify as a hedge and are not designated as a hedge, sinking funds, restricted cash and cash equivalents, certain investments included in Note 6, and bank indebtedness as financial instruments at fair value through profit or loss.

Loans and receivables

The Corporation classifies accounts receivable and certain investments as disclosed in Note 6, as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are accounted for at amortized cost using the effective interest method, less any impairment losses.

Investments under securities lending program

Securities lending transactions are entered into on a collateralized basis. The securities lent are not de-recognized on the consolidated statement of financial position given that the risks and rewards of ownership are not transferred from the Corporation to the counterparties in the course of such transactions. The securities are included in the consolidated statement of financial position on the basis that the counterparties may resell or re-pledge the securities during the time that the securities are in their possession.

Securities received from counterparties as collateral are not included in the consolidated statement of financial position given that the risks and rewards of ownership are not transferred from the counterparties to the Corporation in the course of such transactions.

Other liabilities

Other liabilities are non-derivative financial liabilities that are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial liabilities are accounted for at amortized cost using the effective interest method. The Corporation classifies trade and other payables, notes payable, long-term debt due within one year, and long-term debt as other liabilities.

Derivative instruments

The Corporation utilizes a variety of derivative instruments to manage its exposure to interest rate, foreign exchange rate, electricity and natural gas price risk.

Interest rate swaps and foreign currency forward contracts may be designated as cash flow hedges. For interest rate swaps used to hedge long-term debt, the effective portion of changes in the fair value is recognized in other comprehensive income while any gains and losses related to the ineffective portion are recognized immediately in interest expense. Amounts previously recognized in other comprehensive income are reclassified to net earnings as interest expense when the hedged debt is settled. For foreign currency forward contracts used to hedge capital expenditures denominated in a foreign currency, gains or losses are recognized in other comprehensive income and reclassified to net earnings over the life of the related asset.

Derivative instruments not designated as a hedge are held for trading and are recorded at fair value in the consolidated statement of financial position in current assets or current liabilities, as described in Note 7, commencing on the trade date. The change in the fair value is recorded in net earnings and classified within the revenue or expense category to which it relates. The revenue and expense categories impacted are described in Note 7(b).

Certain commodity contracts for the physical purchase of natural gas qualify as own-use contracts. The Corporation entered into these contracts for the purpose of physical receipt of the natural gas in accordance with its own expected usage requirements for the generation of electricity. As such, these non-financial derivative contracts are not recorded at fair value on the consolidated statement of financial position; rather, the contracts are accounted for as a purchase at the time of delivery.

Derivatives may be embedded in other host instruments. Embedded derivatives are treated as separate derivatives when the economic characteristics and risks are not closely related to those of the host instrument, the embedded derivative has the same terms as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with subsequent changes recognized in net earnings.

The Corporation utilizes natural gas sales contracts with embedded derivatives for non-regulated contract sales to large end-use customers.

k) Impairments

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to CIC on terms that CIC would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

CIC considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, CIC uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net earnings and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net earnings.

Non-financial assets

The carrying amounts of non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

CIC's corporate assets do not generate separate cash inflows. If there is an indication that an asset may be impaired, then the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

l) Provisions

A provision is recognized if, as a result of a past event, CIC has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the discount on provisions is recognized in the consolidated statement of comprehensive income as finance expenses.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Decommissioning provisions

A decommissioning provision is a legal or constructive obligation associated with the decommissioning of a long-lived asset. CIC recognizes decommissioning provisions in the year incurred if a reasonable estimate of fair value (net present value) can be determined. CIC recognizes decommissioning provisions in the year in which the facility is commissioned. CIC recognizes provisions for the decommissioning of assets containing PCBs in excess of existing federal regulations.

The fair value of estimated decommissioning costs is recorded as a provision with an offsetting amount capitalized and included as part of property, plant and equipment. Decommissioning provisions are increased periodically for the passage of time by calculating accretion expense on the provision. The offsetting capitalized costs are depreciated over the estimated useful life of the related asset.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and an estimate of future inflation. Decommissioning provisions are periodically reviewed and any changes are recognized as an increase or decrease in the carrying amount of the liability and the related asset.

Environmental remediation

A provision for environmental remediation is accrued when the occurrence of an environmental expenditure, related to present or past activities of CIC, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations and remediation at identified sites. These provisions are based on management's best estimate considering current environmental laws and regulations and are recorded at fair value. CIC reviews its estimates of future environmental expenditures on an ongoing basis.

Unpaid insurance claims

The provision for unpaid claims represents an estimate of the total cost of outstanding claims. The estimate includes the cost of reported claims, and claims incurred but not reported, an estimate of adjustment expenses to be incurred on these claims and a provision for adverse deviation in accordance with Canadian Institute of Actuaries standards. The provision has been calculated including the impact of discounting using a discount rate of 2.32 per cent (2010 - 2.86 per cent). The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current year and is included in operating expenses.

m) Revenue

Natural gas sales and delivery

Revenue is recognized when natural gas is delivered to customers. An estimate of natural gas delivered, but not billed, is included in revenue.

Natural gas transportation and storage

Revenue is recognized when transportation, storage and related services are provided to the customer. An estimate of transportation, storage and related services rendered but not billed is included in revenue.

Electricity

Electricity revenue is recognized upon delivery to the customer and includes an estimate of electrical deliveries not yet billed at year-end. Electricity trading revenues and expenses are reported on a gross basis upon delivery of electricity to the customers and receipt of electricity purchased from external parties. Electricity trading contracts are recorded at fair value.

Telecommunications

Telecommunications revenue represents the fair value of the consideration received or receivable for the services provided and equipment sales, net of discounts, volume rebates and sales taxes. Revenue from the sale of equipment and rendering of services is recognized in the year the services are provided or the equipment is sold, when there is persuasive evidence that an arrangement exists, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Corporation. Where CIC acts as an agent in a transaction, amounts collected on behalf of the principal are excluded from revenue.

Revenues from local telecommunications, data, internet, entertainment and security services are recognized based on access to CIC's network and facilities at the rate plans in effect during the year the service is provided. Certain service connection charges and activation fees, along with corresponding direct costs are deferred and recognized over the average expected term of the customer relationship. Revenues from long distance and wireless airtime are recognized based on the usage or rate plans in the year service is provided. Revenues from equipment sales are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, typically when the equipment is delivered to and accepted by the customer. Revenues for longer term contracts are recognized in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. Payments received in advance are recorded as deferred revenue until the product or service is delivered.

Customer solutions may involve the delivery of multiple services and products that occur at different points and over different periods of time. The multiple services are separated into respective accounting units and consideration is allocated among the accounting units. The relevant revenue recognition policies are applied to each accounting unit.

When CIC receives no identifiable separate benefit for consideration given to a customer (discounts and rebates), the consideration is recorded as a reduction of revenue rather than as an expense.

Revenues are earned through the sale of print and electronic telephone directory advertising, on-line advertising and advertising in agricultural publications. Print directory advertising revenues are recognized at the delivery date of the directory. Electronic directory advertising revenues are recognized commencing with the display date. Amounts billed in advance for directory advertising are deferred and recognized at the delivery date of the directory.

Operating revenues for perpetual licenses are recognized on delivery or according to the terms of the license agreement. Revenues related to customized software contracts are recognized upon customer acceptance or when customer acceptance provisions of the contract are satisfied. Where the arrangement includes multiple elements, perpetual license revenues are recognized on delivery, provided the undelivered elements are not essential to the functionality of the license, CIC has evidence of fair value for all the undelivered items and completion costs are reliably measurable. If payment is subject to customer acceptance, revenue is not recognized until customer acceptance or expiration of the acceptance period. Fees for professional services, other than in the context of multiple element arrangements, are recognized as services are rendered. Support and maintenance fees are recognized over the term of the contract.

The Canadian Radio-television and Telecommunications Commission (CRTC) has established a National Subsidy Fund to subsidize Local Exchange Carriers (LECs), like the Corporation, that provide service to residential customers located in high cost service areas (HCSAs). The CRTC has set the rate per line and band for all LECs. CIC recognizes the revenue on an accrual basis by applying the rate to the number of residential network access lines served during the year in HCSAs.

Property and casualty insurance

The Corporation's policies have all been classified upon inception as insurance contracts. An insurance contract is a contract which transfers significant insurance risk and upon the occurrence of the insured event, causes the insurer to make a benefit payment to the insured party. The sale of policies generates premiums written, which are taken into income over the terms of the related policies, no longer than twelve months. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

Property registration

Land, corporate and personal property registry revenues are recognized when services are rendered.

Gaming

Gaming revenue (table and slot revenues) represents the net win from gaming activities, which is the difference between the amounts wagered and the payouts by the casino. Gaming revenues are net of accruals for anticipated payouts of progressive jackpots.

Customer contributions

The Corporation obtains customer contributions related to the construction of new natural gas, electricity, water and wastewater service connections. Customer contributions for natural gas and electricity service are recognized initially as deferred revenue and are recognized as revenue once the related property, plant and equipment is available for use. These customer contributions are often subject to refunds over a specified period. An estimate of these refunds remains in deferred revenue until the eligible refund period expires. Customer contributions received from water and waste-water customers are recognized initially as other liabilities when there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the customer contract. The contributions are then recognized into net earnings on a systematic basis over the life of the related customer contract. If there is no customer contract in place the contributions are recognized into net earnings on a systematic basis over the life of the related assets.

Other

Revenue from sales of other products is recognized when goods are shipped and title has passed to the customer or based on the right to revenue pursuant to contracts with customers, tenants and clients.

n) Government grants

Conditional government grants are initially measured at fair value and recognized as other liabilities provided that there is reasonable assurance that the grant will be received and CIC will comply with the conditions associated with the grant. Grants that compensate CIC for expenses incurred are recognized in net earnings in the same year in which the expenses are recognized. Grants that compensate CIC for the cost of an asset are netted against the capitalized asset cost and recognized in net earnings over the useful life of the asset.

o) Foreign currency transactions

Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Canadian dollars at the exchange rate at that date. Non-monetary assets and liabilities are translated using the exchange rates on the date of the transactions. Foreign currency differences arising on translation are recognized in net earnings, except for differences arising on the translation of qualifying cash flow hedges, which are recognized in other comprehensive income.

The assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rate on the reporting date. The revenue and expenses of foreign operations are translated to Canadian dollars using exchange rates on the dates of the transactions. Translation adjustments arising from changes in the exchange rate are reflected in other comprehensive income. When a foreign operation is disposed of, the related accumulated translation adjustment is transferred to net earnings as part of the gain or loss on disposal.

p) Employee future benefits

CIC has three defined benefit pension plans, a defined contribution pension plan, and other plans that provide post retirement benefits for its employees.

Defined contribution pension plan

A defined contribution plan is a post-employment benefit under which CIC pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognized as an employee future benefit expense in net earnings in the year during which services are rendered by employees.

Defined benefit pension plans

A defined benefit pension plan is a post-employment benefit plan other than a defined contribution pension plan. CIC's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for service in the current and prior years. The benefit is discounted to determine present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of CIC's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to CIC, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to CIC if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in net earnings on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in net earnings.

CIC recognizes all actuarial gains and losses in other comprehensive income immediately in the year of occurrence. These amounts are transferred from accumulated other comprehensive income to retained earnings in the year of occurrence since the actuarial gains and losses will not be reclassified to net earnings in subsequent years.

Other benefit plans

CIC's net obligation in respect of employee future benefits other than pension plans is the amount of future benefit that employees have earned in return for service in the current and prior years. The calculated benefit is discounted to determine its present value, and the fair value of any related assets if any, is deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of CIC's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are included in other comprehensive income immediately in the year of occurrence.

q) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

r) Assets classified as held-for-sale

Assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continuing use are classified as held-for-sale. Immediately before classification as held-for-sale, the assets (or components of a disposal group) are re-measured in accordance with CIC's accounting policies. Thereafter, generally the assets (or disposal group) are measured at the lower of the carrying amount and the fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories, employee future benefit assets, or investment property, which continue to be measured in accordance with CIC's accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognized in net earnings. Gains are not recognized in excess of cumulative impairment losses.

s) Finance income and expenses

Finance income comprises sinking fund earnings, interest income on investments at fair value through profit or loss, gains on sale of investments at fair value through profit or loss, and net changes in fair value of financial assets at fair value through profit or loss. Interest income is recognized in net earnings using the effective interest method.

Finance expenses comprise interest expense on financial liabilities measured at amortized cost, unwinding the discount on provisions, net changes in the fair value of financial assets at fair value through profit or loss, provisions for loan losses, investment write-downs and accretion expense on provisions less interest capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset with a corresponding decrease in financing expenses.

On the consolidated statement of cash flows, interest paid is classified as an operating activity, interest received is classified as an investing activity, dividends received are classified as an investing activity and dividends paid are classified as a financing activity.

t) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Corporation. CIC has assessed its arrangements to determine whether or not leases exist. Certain take-or-pay power purchase agreements which give CIC the exclusive right to use specific production assets have been determined to meet the definition of a lease. As such, these arrangements are classified as finance leases.

Assets held under finance leases are initially recognized at the lower of fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding liability is recorded as a finance lease obligation. Each lease payment is allocated between the liability and interest so as to achieve a constant rate on the finance balance outstanding. The interest component is included in finance expense.

Assets held under finance leases are depreciated over the shorter of the expected useful economic life of similar owned assets or the lease term.

All other transactions in which CIC is the lessee are classified as operating leases. Payments made under operating leases are expensed over the term of the lease.

u) Discontinued operations

A discontinued operation is a component of CIC's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held-for-sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated statement of comprehensive income is reclassified as if the operation had been discontinued from the start of the comparative year.

v) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these consolidated financial statements. In particular, the following new and amended standards become effective for years beginning on or after January 1, 2013:

- IFRS 4, *Insurance contracts*
- IFRS 9, *Financial Instruments*
- IFRS 10, *Consolidated Financial Statements*
- IFRS 11, *Joint Arrangements*
- IFRS 12, *Disclosure of Interests in Other Entities*
- IFRS 13, *Fair Value Measurement*
- IAS 1, *Presentation of Financial Statements*
- IAS 19, *Employee Benefits*
- IAS 27, *Separate Financial Statements*
- IAS 28, *Investments in Associates and Joint Ventures*

The extent of the impact on adoption of these standards is not known at this time.

4. Status of CIC

CIC was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of *The Crown Corporations Act, 1993*. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is not subject to federal and provincial income taxes. Certain jointly controlled enterprises and subsidiaries are not provincial Crown corporations and are subject to federal and provincial income taxes.

5. Cash and cash equivalents

	2011	2010
Cash	$ 156,556	$ 229,191
Short-term investments	215,225	175,337
	$ 371,781	$ 404,528

The weighted average interest rate for short-term investments included in cash and cash equivalents at December 31, 2011 was 1.19 per cent (2010 - 1.03 per cent).

6. Investments

	2011	2010
Short-Term Investments		
At fair value through profit or loss	$ 392,605	$ 210,613
Sinking funds - at fair value through profit or loss	6,033	-
	$ 398,638	$ 210,613
Portfolio Investments - at fair value through profit or loss	$ 190,146	$ 213,299
Bonds, Debentures, Loans and Notes Receivable		
Bonds and debentures - at fair value through profit or loss	352,872	354,558
Loans and notes receivable	23,261	23,183
	376,133	377,741
Leases Receivable	3,464	2,924
Sinking Funds - at fair value through profit or loss (a)	507,182	419,665
Other - at fair value through profit or loss	1,265	1,265
	$ 1,078,190	$ 1,014,894

a) Changes in the carrying amount of sinking funds are as follows:

	2011	2010
Sinking funds, beginning of year	$ 419,665	$ 374,153
Net installments	42,333	14,732
Earnings	36,015	26,223
Valuation adjustment	15,202	4,557
Sinking funds, end of year	513,215	419,665
Less current portion	(6,033)	-
	$ 507,182	$ 419,665

Sinking fund installments due in each of the next five years are as follows:

2012	$ 40,455
2013	39,955
2014	38,483
2015	37,983
2016	37,459

b) CIC holds one Class B share of Cameco Corporation (Cameco) which provides CIC with the ability to exercise special voting rights with respect to the location of Cameco's head office.

7. Financial and insurance risk management

Financial risk management

CIC is exposed to market risk (power generation, natural gas sales, equity prices, sinking funds, foreign exchange rates and interest rates), credit risk and liquidity risk. CIC utilizes a number of financial instruments to manage market risk. CIC mitigates these risks through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

Fair values are approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgement and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

		2011		2010	
Financial Instruments	**Classification (i)**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial Assets					
Cash and cash equivalents	FVTPL	$ 371,781	$ 371,781	$ 404,528	$ 404,528
Accounts receivable	LAR	612,696	612,696	599,801	599,801
Derivative financial assets	FVTPL	84,092	84,092	79,124	79,124
Restricted cash and cash equivalents	FVTPL	67,517	67,517	148,818	148,818
Investments - sinking funds - fair value	FVTPL	513,215	513,215	419,665	419,665
Investments - fair value	FVTPL	936,888	936,888	779,735	779,735
Investments - loans	LAR	26,725	(ii)	26,107	(ii)
Financial Liabilities					
Bank indebtedness	FVTPL	13,191	13,191	11,239	11,239
Trade and other payables	OL	684,498	684,498	571,426	571,426
Derivative financial liabilities	FVTPL	150,813	150,813	113,758	113,758
Notes payable	OL	696,464	696,464	472,851	472,968
Long-term debt	OL	4,005,304	5,354,243	3,968,058	4,837,433
Finance lease obligations	OL	562,038	651,879	419,449	471,305

		2011		2010	
Derivative Instruments	**Classification (i)**	**Asset**	**(Liability)**	**Asset**	**(Liability)**
Physical natural gas contracts	FVTPL	$ 22,301	$ (8,606)	$ 14,604	$ (11,841)
Natural gas price swaps	FVTPL	55,707	(139,412)	63,926	(98,352)
Electricity contracts for differences	FVTPL	6,084	(1,404)	594	(3,565)
Physical electricity forwards	FVTPL	-	(1,391)	-	-
		$ 84,092	$ (150,813)	$ 79,124	$ (113,758)

i) Classification details are: FVTPL - fair value through profit or loss, LAR - loans and receivables, OL - other liabilities.

ii) The uncertainty and potentially broad range of fair values for Investments - loans (loans and receivables), renders the disclosure of a fair value with appropriate reliability impractical.

a) Fair value hierarchy

Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of inputs used in the valuation.

Level 1 - Quoted prices are readily available from an active market.
Level 2 - Inputs, other than quoted prices included in level 1 that are observable either directly or indirectly.
Level 3 - Inputs are not based on observable market data.

CIC's financial instruments are categorized within this hierarchy as follows:

	2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 371,781	$ -	$ -	$ 371,781
Restricted cash and cash equivalents	67,517	-	-	67,517
Bank indebtedness	13,191	-	-	13,191
Notes payable	696,464	-	-	696,464
Investments carried at fair value through profit or loss	489,804	936,828	23,471	1,450,103
Finance lease obligations	-	651,879	-	651,879
Long-term debt	-	5,354,243	-	5,354,243
Physical natural gas contracts - net	-	13,695	-	13,695
Natural gas price swaps - net	-	(83,705)	-	(83,705)
Electricity contracts for differences - net	-	4,680	-	4,680
Physical electricity forwards - net	-	(1,391)	-	(1,391)

	2010			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 404,528	$ -	$ -	$ 404,528
Restricted cash and cash equivalents	148,818	-	-	148,818
Bank indebtedness	11,239	-	-	11,239
Notes payable	472,968	-	-	472,968
Investments carried at fair value through profit or loss	360,555	812,651	26,194	1,199,400
Finance lease obligations	-	471,305	-	471,305
Long-term debt	-	4,837,433	-	4,837,433
Physical natural gas contracts - net	-	2,763	-	2,763
Natural gas price swaps - net	-	(34,426)	-	(34,426)
Electricity contracts for differences - net	-	(2,971)	-	(2,971)

Changes in Level 3 investments carried at fair value are as follows:

	2011	2010
Balance, beginning of year	$ 26,194	$ 30,458
Unrealized losses attributable to assets held at the end of the year included in net earnings	(6,171)	(4,114)
Purchases	3,463	-
Sales	(15)	(150)
Balance, end of year	$ 23,471	$ 26,194

Investments carried at fair value through profit or loss

i) Categorized as level 2

Investments carried at fair value through profit and loss and categorized as level 2 in the hierarchy include sinking funds, bonds, debentures and pooled mortgage investments.

The fair value of sinking funds is determined by the Saskatchewan Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments.

The fair value of bonds and debentures is based on model pricing techniques that effectively discount prospective cash flows to present value taking into consideration duration, credit quality, and liquidity.

The fair value of pooled mortgage investments is determined based on the market values of the underlying mortgage investments, calculated by discounting scheduled cash flows through to the estimated maturity of the mortgage.

ii) Categorized as level 3

Publicly traded investments are recorded at the market price at the financial statement date. The fair values of unlisted securities are established according to the requirements of IAS 39 - *Financial Instruments: Recognition and Measurement*. The Corporation considers the guidance provided by the International Private Equity and Venture Capital (IPEV) guidelines, as well as the Canadian Institute of Chartered Business Valuators (CICBV) to be consistent with the requirements of IAS 39 for determining the fair value of an unlisted equity position.

The valuation method most commonly used by the Corporation is the 'price of recent investment', as recent transactions in a company's stock generally provide a good indication of fair value. Where there has been any recent investment by third parties, the price of that investment will provide a basis for the valuation.

If there is no readily ascertainable value from following the 'price of recent investment' methodology, the Corporation considers alternative methodologies as recommended by the IPEV and CICBV, and consistent with the requirements of IAS 39. These methods are primarily focused on the projected earnings or cash flows of the business, discounted to present value by applying a discount rate which appropriately reflects industry and company specific factors. These methodologies required management to make assumptions over the timing, amount, and risk profile of future earnings and cash flows when calculating value.

Where fair value cannot be estimated reliably, the investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has been impaired. All recorded values of investments are reviewed at each reporting date for any indication of impairment and adjusted accordingly.

Long-term debt

The fair value of long-term debt is determined by the present value of future cash flows, discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

Finance lease obligations

Finance lease obligations are valued using internal cash flow models based on contracted pricing in the Corporation's power purchase agreements. The contracted cash flows are discounted using the Government of Saskatchewan bond yields adjusted for a negotiated risk premium.

Derivative financial assets and liabilities

The fair value of electricity related derivatives, physical natural gas contracts and natural gas price swaps is based on quoted market values. CIC obtains information from sources such as the New York Mercantile Exchange and the Natural Gas Exchange, independent price publications and over-the-counter broker quotes. The fair value of natural gas price options is determined using an industry-standard valuation model which requires the use of various assumptions, including quoted market values, interest rates and volatility estimates for forward natural gas prices that are based on external market sources. Where contract prices are referenced to an index price that has been fixed, the market price has been used to estimate the contract price.

Other financial assets and liabilities

Other financial assets and liabilities including accounts receivable and trade and other payables have not been classified in the fair value hierarchy given that carrying value approximates fair value due to immediate or short-term maturity.

b) Unrealized gains (losses) on financial instruments

Depending on the nature of the derivative instrument and market conditions, the change in fair value of derivative financial assets and derivative financial liabilities is recorded in net earnings as either revenue or operating expenses. The impact of unrealized gains (losses) on net earnings is as follows:

	2011	2010
Revenue	$ 9,845	$ 30,175
Operating expenses	(41,587)	(49,755)
Decrease in net earnings	**$ (31,742)**	$ (19,580)

c) Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return. The Corporation manages the following market risks:

Power generation

CIC is exposed to natural gas price risk through natural gas purchased for its natural gas-fired power plants and through certain power purchase agreements that have a cost component based on the market price of natural gas. As at December 31, 2011, CIC had entered into financial and physical natural gas contracts to price manage approximately 49.0 per cent of its budgeted natural gas purchases for 2012, 40.0 per cent for 2013, 29.0 per cent for 2014, 20.0 per cent for 2015 and 9.0 per cent for 2016.

Based on CIC's December 31, 2011 closing positions on its financial natural gas hedges, a $1 dollar per gigajoule (GJ) increase in the price of natural gas would have resulted in a $31.6 million improvement in the unrealized market value gains recognized in net earnings in the year. This sensitivity analysis does not represent the underlying exposure to changes in the price of natural gas on the remaining forecasted natural gas purchases which are unhedged as of December 31, 2011.

CIC is exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions, including Value at Risk (VaR) limits. VaR is the most commonly used metric employed to track and manage the market risk associated with trading positions. A VaR measure gives, for a specific confidence level, an estimated potential loss that could be incurred over a specified period of time. VaR is used to measure the potential change in value for the proprietary trading portfolio, over a ten day period with a 95.0 per cent confidence level, resulting from normal market fluctuations. VaR is estimated using the historical variance/co-variance approach.

VaR has certain inherent limitations. The use of historical information in the estimate assumes that price movements in the past will be indicative of future market risk. As such, it may be only meaningful under normal market conditions. Extreme market events are not addressed by this measure. In addition, the use of a ten day measurement period implies that positions can be unwound or hedged within that period; however, this may not be possible if the market becomes illiquid. CIC recognizes the limitations of VaR and actively uses other controls, including restrictions on authorized instruments, volumetric and term limits, stress-testing of individual portfolios and of the total proprietary trading portfolio, and management review.

As at December 31, 2011, the VaR associated with electricity trading activities was $0.7 million (2010 - $2.0 million).

Natural gas sales

CIC may manage the risk associated with the purchase and sale price of natural gas. The purchase or sale price of natural gas may be fixed within the contract, or referenced to a floating index price. When the price is referenced to a floating index price, natural gas derivative instruments may be used to fix the settlement amount. The types of natural gas derivative instruments CIC may use for price risk management include natural gas price swaps, options, swaptions and futures contracts. Based on CIC's year end closing positions, an increase of $1 per GJ in natural gas prices would have increased net earnings, through an increase in the fair value of natural gas derivative instruments, by $40.9 million (2010 - $28.8 million). Conversely, a decrease of $1 per GJ would have decreased net earnings, through a decrease in the fair value of natural gas derivative instruments, by $40.9 million (2010 - $28.8 million).

Equity price risk

Equity price risk represents the potential for loss from changes in the value of equity investments.

CIC is exposed to changes in equity prices in Canadian, U.S. and EAFE (Europe, Australia and Far East) markets. The fair value of these equities at December 31, 2011 was $120.8 million (2010 - $137.2 million). Individual stock holdings are diversified by geography, industry type, and corporate entity. No one investee or related group of investees represents greater than 10.0 per cent of the market value of the Corporation's common share portfolio. As well, no one holding represents more than 10.0 per cent of the voting shares of any corporation.

CIC's equity price risk is assessed using VaR to measure the potential change in the value of an asset class. The VaR has been calculated based on volatility over a four-year period, using a 95.0 per cent confidence level. As such, it is expected that the annual change in the portfolio market value will fall within the range outlined in the following table 95.0 per cent of the time (19 times out of 20 years).

	2011		2010	
Asset Class				
Canadian pooled equity fund and Canadian common shares	+/-	$ 31,862	+/-	$ 36,613
U.S. pooled equity fund and U.S. common shares	+/-	9,367	+/-	8,054
Non-North American pooled equity fund	+/-	10,096	+/-	11,128

Sinking funds

CIC has on deposit with the GRF, under the administration of the Saskatchewan Ministry of Finance, $513.2 million (2010 - $419.7 million) in sinking funds required for certain long-term debt issues. At December 31, 2011 the GRF has invested these funds primarily in Provincial and Federal government bonds with varying maturities to coincide with related debt maturities and are managed based on this maturity profile and market conditions. As such, the related market risk associated with these investments is considered low. CIC does not believe that the impact of fluctuations in market prices related to these investments will be material and, therefore, has not provided a sensitivity analysis of the impact on net earnings or other comprehensive income.

Interest rate risk

CIC may be exposed to interest rate risk on the maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. As a result, CIC has no financial contracts in place to offset interest rate risk as of December 31, 2011. CIC has not provided a sensitivity analysis of the impact of interest rate changes on net earnings as substantially all of CIC's debt is at fixed rates at December 31, 2011.

CIC is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds, debentures, and mortgage investments. It is estimated that a 100 basis point increase or decrease in interest rates would decrease or increase net earnings by $3.1 million at December 31, 2011 (2010 - $5.6 million).

Foreign currency risk

CIC is exposed to currency risk, primarily US dollars, through transactions with foreign suppliers and short-term foreign commitments. CIC uses a combination of derivative financial instruments to manage these exposures when deemed appropriate. CIC does not actively trade derivative financial instruments. CIC does not believe that the impact of fluctuations in foreign exchange rates on anticipated transactions will be material and therefore has not provided a sensitivity analysis of the impact on net earnings.

d) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. CIC does not have material concentrations of credit risk given that the majority of accounts receivable is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan. In addition, CIC maintains credit policies and limits in respect to short-term investments, bonds, debentures, loans, notes receivable, leases receivable and counterparties to derivative instruments.

The carrying amount of financial assets represents the maximum credit exposure as follows:

	2011	2010
Cash and cash equivalents	$ 371,781	$ 404,528
Short-term investments	398,638	210,613
Accounts receivable	612,696	599,801
Derivative financial assets	84,092	79,124
Restricted cash and cash equivalents	67,517	148,818
Investments - at fair value through profit or loss	1,051,465	988,787
Investments - loans and receivables	26,725	26,107
	$ 2,612,914	$ 2,457,778

The allowance for doubtful accounts, which provides an indication of potential impairment losses, is reviewed quarterly based on an analysis of the aging of accounts receivable and an estimate of outstanding amounts that are considered to be uncollectible. Historically, CIC has not written-off a significant portion of its accounts receivable balances.

The allowance for doubtful accounts and the aging of accounts receivable are detailed as follows:

Allowance for doubtful accounts	2011	2010
Opening balance	$ 10,864	$ 14,563
Less: Accounts written-off and other	(17,363)	(20,970)
Recoveries	10,156	5,556
Provision for losses	13,453	11,715
Ending balance	$ 17,110	$ 10,864

Accounts receivable	2011	2010
Current	$ 498,651	$ 495,758
30-59 Days	29,436	31,493
60-89 Days	73,111	68,071
Greater than 90 Days	28,608	15,343
Gross accounts receivable	629,806	610,665
Allowance for doubtful accounts	(17,110)	(10,864)
Net accounts receivable	$ 612,696	$ 599,801

e) Liquidity risk

Liquidity risk is the risk that CIC is unable to meet its financial commitments as they become due. CIC is a provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance. CIC, through its diversified holdings and capital allocation and dividend policies, can allocate resources to ensure that all financial commitments made are met.

Where necessary CIC can borrow funds from the GRF, adjust dividend rates, obtain or make grants, or be provided with or provide equity injections to solve any liquidity issues.

The following summarizes the contractual maturities of CIC's financial liabilities at December 31, 2011:

		Contractual Cash Flows					
	Carrying Amount	Total	0-6 Months	7-12 Months	1-2 Years	3-5 Years	More than 5 Years
Long-term debt[1]	$ 4,005,304	$7,904,368	$ 74,841	$ 172,416	$ 394,353	$ 943,208	$ 6,319,550
Trade and other payables	684,498	684,498	682,103	2,395	-	-	-
Derivative financial liabilities	150,813	117,017	96,255	20,762	-	-	-
Other liabilities[2]	1,113,252	1,114,623	834,347	65,552	59,010	91,641	64,073
	$ 5,953,867	$9,820,506	$ 1,687,546	$ 261,125	$ 453,363	$ 1,034,849	$ 6,383,623

CIC anticipates generating sufficient cash flows through operations or credit facilities to support these contractual cash flows.

The following summarized the contractual maturities of CIC's financial liabilities at December 31, 2010:

		Contractual Cash Flows					
	Carrying Amount	Total	0-6 Months	7-12 Months	1-2 Years	3-5 Years	More than 5 Years
Long-term debt[1]	$ 3,968,058	$ 8,076,501	$ 75,002	$ 134,714	$ 295,236	$ 962,603	$ 6,608,946
Trade and other payables	571,426	571,426	554,483	16,943	-	-	-
Derivative financial liabilities	113,758	165,529	123,463	42,066	-	-	-
Other liabilities[2]	824,814	824,901	591,143	42,551	46,211	79,313	65,683
	$ 5,478,056	$ 9,638,357	$ 1,344,091	$ 236,274	$ 341,447	$ 1,041,916	$ 6,674,629

[1] Contractual cash flows for long-term debt include principal and interest payments but exclude sinking fund installments.
[2] Other liabilities include: bank indebtedness, notes payable, provision for unpaid insurance claims (Note 18), amounts due to reinsurers (Note 17) and premium taxes payable (Note 17).

Insurance risk management

Insurance risk arises with respect to the adequacy of CIC's insurance premium rates and provision for unpaid claims (consisting of underwriting and actuarial risks).

f) Underwriting risk

CIC manages its insurance risk though its underwriting and reinsurance strategies within an overall strategic planning process. Pricing is based on assumptions with regards to past experiences and trends. Exposures are managed by having documented underwriting limits and criteria, product and geographic diversification and reinsurance.

i) Diversification

CIC writes property, liability and motor risks over a twelve month period. The most significant risks arise from weather-related events such as severe storms. CIC attempts to mitigate risk by conducting business in a number of provinces across Canada and by offering different lines of insurance products. The concentration of insurance risk by line of business is summarized below by reference to the provision for unpaid claim liabilities (Note 18):

	Gross		Reinsurance Recoverable		Net	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Automobile	**$ 176,325**	$ 148,458	**$ 19,474**	$ 16,020	**$ 156,851**	$ 132,438
Property	**104,503**	85,897	**30,602**	23,126	**73,901**	62,771
Liability	**66,986**	67,244	**2,702**	4,274	**64,284**	62,970
Assumed	**7,735**	7,769	**-**	-	**7,735**	7,769
Discount	**13,458**	2,244	**1,822**	1,215	**11,636**	1,029
Other	**5,052**	4,296	**-**	-	**5,052**	4,296
	$ 374,059	$ 315,908	**$ 54,600**	$ 44,635	**$ 319,459**	$ 271,273

The concentration of insurance risk by line of business is summarized below by reference to the provision for unpaid claim liabilities (Note 18):

	Gross		Reinsurance Recoverable		Net	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Saskatchewan	**$ 207,591**	$ 197,492	**$ 26,464**	$ 29,726	**$ 181,127**	$ 167,766
Ontario	**106,501**	75,605	**18,906**	13,935	**87,595**	61,670
Alberta	**32,458**	19,531	**8,802**	752	**23,656**	18,779
Maritimes	**18,863**	15,694	**273**	108	**18,590**	15,586
Manitoba	**8,646**	7,586	**155**	114	**8,491**	7,472
	$ 374,059	$ 315,908	**$ 54,600**	$ 44,635	**$ 319,459**	$ 271,273

ii) Reinsurance

CIC also seeks to reduce losses that may arise from catastrophes or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers. CIC evaluates and monitors the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvency. The policy of underwriting and reinsuring insurance contracts limits the liability of CIC to a maximum amount for any one loss as follows:

	2011	2010
Dwelling and farm property	$ 750	$ 750
Unlicensed vehicles	750	750
Commercial property	1,000	1,000
Automobile and general liability	1,500	1,500
(subject to filling an annual aggregate deductible of)	1,500	1,500
Property catastrophe (health care)	7,500	7,500
Property catastrophe (non-health care)	8,500	8,500

g) Actuarial risk

The establishment of the provision for unpaid claims (Note 18) is based on known facts and an interpretation of circumstances and is therefore a complex process influenced by a variety of factors. Measurement of the provision is uncertain due to claims that are not reported to CIC at year end and therefore estimates are made as to the value of these claims. As well, uncertainty exists regarding the cost of reported claims that have not been settled, as all the necessary information may not be available at year end.

The significant assumptions used to estimate the provision include: CIC's experience with similar cases, historical claim payment trends and claim development patterns, the characteristics of each class of business, claim severity and claim frequency, the effect of inflation on future claim settlement costs, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim, the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as physical damage or collision claims tend to be more reasonably predictable than long-tail claims such as liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors, which necessarily involves risk that the actual results may differ materially from the estimates.

h) Securities lending program

Through its custodian, CIC participates in an investment securities lending program for the purpose of generating fee income. Non-cash collateral of at least 102.0 per cent of the market value of the loaned securities is retained by CIC until the loaned securities have been returned. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. In addition, the custodian provides indemnification against any potential losses in the securities lending program. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

At December 31, 2011, CIC held collateral of $121.2 million (2010 - $82.0 million) for the loaned securities.

8. Restricted cash and cash equivalents

CIC holds the following cash and cash equivalents restricted for use:

	2011		2010	
	Current	Non-Current	Current	Non-Current
Carbon capture and storage initiatives (a)	$ -	$ -	$ 100,240	$ -
Meadow Lake Pulp Limited Partnership (b)	7,656	4,900	22,060	20,000
Immigrant investor funds (c)	54,961	-	6,518	-
	$ 62,617	$ 4,900	$ 128,818	$ 20,000

a) Amounts reflect unspent funding transferred to CIC in 2008 from the GRF restricted for carbon capture and storage initiatives (Note 17).

b) Cash held by the receiver of Meadow Lake Pulp Limited Partnership which is subject to an order of the Court of Queen's Bench of Saskatchewan.

c) Immigrant investor funds are provided through the Government of Canada's Immigrant Investor Program (IIP). The funds are restricted for use in Saskatchewan's Headstart on a Home Program.

9. Inventories

	2011	2010
Raw materials	$ 140,953	$ 144,642
Natural gas in storage held for resale	227,983	246,732
Finished goods	5,738	5,176
Work-in-progress	3,694	1,198
	$ 378,368	$ 397,748

For the year ended December 31, 2011, $599.3 million (2010 - $519.1 million) of natural gas in storage held for resale, and $366.0 million (2010 - $462.1 million) of raw materials inventory and other inventory were consumed. CIC incurred a $30.0 million (2010 - $20.6 million) write-down of natural gas in storage held for resale and a $4.4 million (2010 - $4.6 million) write-down of other inventory to its net realizable value. There was no reversal of any prior year inventory write-downs during 2011 or 2010.

10. Discontinued operations and assets held for sale

During 2010, CIC approved plans to dispose of its wholly-owned subsidiary Hospitality Network Canada, Inc. (Hospitality Network) and its 70.0 per cent interest in Saskatoon 2 Properties Limited Partnership (Saskatoon Square).

On January 4, 2011, CIC sold its interest in Saskatoon Square for proceeds of $34.4 million resulting in a gain on sale of $27.0 million. On January 31, 2011, CIC disposed of the net assets of Hospitality Network for proceeds of $36.0 million resulting in a gain on sale of $3.7 million.

Assets classified as held for sale relating to discontinued operations are comprised of the following:

	2011	2010
Cash	$ -	$ 6,027
Accounts receivable	-	2,333
Prepaid expenses	-	310
Long-term assets classified as current	-	31,352
Other assets	-	1,707
	$ -	$ 41,729

Liabilities classified as held for sale relating to discontinued operations are comprised of the following:

	2011	2010
Trade and other payables	$ -	$ 1,635

The impact of discontinued operations on consolidated net earnings is comprised of the following:

	2011	2010
Revenue	$ 2,534	$ 32,388
Expenses	(2,499)	(27,566)
	35	4,822
Gain on sale of discontinued operations	30,767	-
Gain from discontinued operations	$ 30,802	$ 4,822

11. Investments in equity accounted investees

	Place of Incorporation	Reporting Date	Ownership Interest 2011	Ownership Interest 2010	Carrying Value 2011	Carrying Value 2010
Associates						
ML OSB Limited Partnership (a)	Canada	December 31	**25.0%**	25.0%	**$ 10,800**	$ 23,695
MRM Cogeneration Station (b)	Canada	December 31	**30.0%**	30.0%	**36,155**	31,765
Jump.ca (c)	Canada	March 31	**27.4%**	27.4%	**9,355**	7,961
Gas Sur S.A. (d)	Chile	December 31	**-%**	30.0%	**-**	15,962
IGASAMEX USA Ltd. (d)	Mexico	December 31	**-%**	40.1%	**-**	13,376
Other equity accounted investees					**5,887**	6,744
					62,197	99,503
Jointly controlled entities						
Apex Investment Limited Partnership (e)	Canada	December 31	**54.7%**	54.5%	**26,878**	17,952
Cory Cogeneration Joint Venture (f)	Canada	December 31	**50.0%**	50.0%	**40,762**	39,418
Foragen Technologies Limited Partnership (g)	Canada	December 31	**33.3%**	33.3%	**7,815**	6,295
Other					**3,080**	4,340
					78,535	68,005
					$ 140,732	$ 167,508

	2011 Associates	2011 Jointly Controlled Entities	2011 Total	2010 Associates	2010 Jointly Controlled Entities	2010 Total
Current assets	**$ 45,954**	**$ 8,177**	**$ 54,131**	$ 61,940	$ 7,199	$ 69,139
Non-current assets	**122,627**	**153,892**	**276,519**	170,334	146,816	317,150
Current liabilities	**(44,321)**	**(6,519)**	**(50,840)**	(51,218)	(7,501)	(58,719)
Non-current liabilities	**(62,063)**	**(77,015)**	**(139,078)**	(81,553)	(78,509)	(160,062)
Share of net assets	**$ 62,197**	**$ 78,535**	**$ 140,732**	$ 99,503	$ 68,005	$ 167,508

	2011 Associates	2011 Jointly Controlled Entities	2011 Total	2010 Associates	2010 Jointly Controlled Entities	2010 Total
Revenue	**$ 144,448**	**$ 23,184**	**$ 167,632**	$ 153,887	$ 28,495	$ 182,382
Expenses	**(142,012)**	**(15,183)**	**(157,195)**	(147,168)	(18,281)	(165,449)
Share of results	**$ 2,436**	**$ 8,001**	**$ 10,437**	$ 6,719	$ 10,214	$ 16,933

a) The Corporation is a limited partner in Meadow Lake OSB Limited Partnership (ML OSB). ML OSB operates an oriented strand board facility near Meadow Lake, Saskatchewan.

b) The MRM Cogeneration Station is a 172 megawatt (MW) natural gas-fired cogeneration facility located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta.

c) The Corporation is associated with Jump.ca which operates a cellular marketing and distribution business in Saskatchewan. Jump.ca has a March 31 reporting date which is common industry practice.

d) Effective January 1, 2011, the Corporation classified its 30.0 per cent ownership interest in Gas Sur S.A. and its 40.1 per cent ownership interest in IGASAMEX USA Ltd., as assets held for sale given the intention of the Corporation to sell these investments during the year. Accordingly, as of January 1, 2011, the Corporation ceased applying the equity method and began measuring those investments at the lower of carrying amount and fair value less cost to sell.

On June 28, 2011, the Corporation sold its 30.0 per cent ownership interest in Gas Sur S.A. resulting in proceeds of U.S. $6.0 million and a loss on sale of $10.7 million.

On September 28, 2011 the Corporation sold its 40.1 per cent ownership interest in IGASAMEX USA Ltd. resulting in proceeds of U.S. $17.4 million and a gain on sale of $2.2 million.

e) CIC entered into a joint venture agreement with Apex Investment GP Inc., PFM Capital Inc., Conexus Credit Union 2006, Cornerstone Credit Union and Innovation Credit Union to establish Apex Investment Limited Partnership (APEX). APEX was established on February 1, 2007 to focus on debt and equity investments in Saskatchewan small and medium-sized businesses. The objective of APEX is to realize long-term capital appreciation from its investments.

f) The Cory Cogeneration Joint Venture is an unincorporated joint venture between CIC and ATCO Power Canada Ltd. The joint venture owns and operates a 228 MW natural gas-fired cogeneration plant (Cory Cogeneration Station) near Saskatoon, Saskatchewan.

g) The Corporation jointly controls Foragen Technologies Limited Partnership which invests venture capital in agriculture and biotechnology companies in Saskatchewan.

12. Property, plant and equipment

	Machinery and Equipment	Buildings and Improvements	Plant under Construction	Land, Coal Properties and Rights	Finance Leases	Total
Cost						
Balance at January 1, 2010	$ 11,093,902	$ 1,195,156	$ 516,798	$ 165,018	$ 396,954	$ 13,367,828
Additions	902,057	114,539	924,313	9,129	-	1,950,038
Disposals	(104,405)	(3,111)	-	(142)	-	(107,658)
Transfers	-	-	(969,559)	-	-	(969,559)
Transfers to assets held-for-sale	(30,150)	-	(803)	-	-	(30,953)
Balance at December 31, 2010	$ 11,861,404	$ 1,306,584	$ 470,749	$ 174,005	$ 396,954	$ 14,209,696
Balance at January 1, 2011	**$ 11,861,404**	**$ 1,306,584**	**$ 470,749**	**$ 174,005**	**$ 396,954**	**$ 14,209,696**
Transferred from GRF (a)	**1,012**	**1,804**	**-**	**-**	**-**	**2,816**
Additions	**773,499**	**93,478**	**931,340**	**2,879**	**145,000**	**1,946,196**
Disposals	**(189,899)**	**(527)**	**-**	**(1)**	**-**	**(190,427)**
Transfers	**-**	**-**	**(770,106)**	**-**	**-**	**(770,106)**
Balance at December 31, 2011	**$ 12,446,016**	**$ 1,401,339**	**$ 631,983**	**$ 176,883**	**$ 541,954**	**$ 15,198,175**

	Machinery and Equipment	Buildings and Improvements	Plant under Construction	Land, Coal Properties and Rights	Finance Leases	Total
Depreciation						
Balance at January 1, 2010	$ 5,603,037	$ 499,816	$ -	$ 27,331	$ 127,899	$ 6,258,083
Depreciation expense (b)	426,460	30,136	-	1,266	16,017	473,879
Disposals	(86,893)	(828)	-	(76)	-	(87,797)
Transfers to assets held-for-sale	(14,453)	-	-	-	-	(14,453)
Balance at December 31, 2010	$ 5,928,151	$ 529,124	$ -	$ 28,521	$ 143,916	$ 6,629,712
Balance at January 1, 2011	**$ 5,928,151**	**$ 529,124**	**$ -**	**$ 28,521**	**$ 143,916**	**$ 6,629,712**
Transferred from GRF (a)	**1,012**	**654**	**-**	**-**	**-**	**1,666**
Depreciation expense (b)	**462,407**	**24,591**	**-**	**325**	**17,468**	**504,791**
Disposals	**(177,065)**	**(258)**	**-**	**-**	**-**	**(177,323)**
Balance at December 31, 2011	**$ 6,214,505**	**$ 554,111**	**$ -**	**$ 28,846**	**$ 161,384**	**$ 6,958,846**
Carrying Amounts						
At January 1, 2010	$ 5,490,865	$ 695,340	$ 516,798	$ 137,687	$ 269,055	$ 7,109,745
At December 31, 2010	$ 5,933,253	$ 777,460	$ 470,749	$ 145,484	$ 253,038	$ 7,579,984
At December 31, 2011	**$ 6,231,511**	**$ 847,228**	**$ 631,983**	**$ 148,037**	**$ 380,570**	**$ 8,239,329**

a) Pursuant to Order in Council 204/2011 dated March 31, 2011, the GRF transferred property, plant and equipment with a cost of $2.8 million and accumulated depreciation of $1.6 million to CIC at book value.

b) Effective July 1, 2011, CIC extended the useful life of certain telecommunications-related machinery and equipment to coincide with the revised exit date for the related technology. The impact is a reduction in depreciation expense of $4.2 million in 2011, a reduction in depreciation expense of $8.4 million in 2012 and 2013, and increases in depreciation expense in 2014 to 2016 of $6.5 million, $11.5 million and $3.0 million respectively.

13. Investment property

	Buildings	Infrastructure	Leasehold Improvements	Other	Total
Cost					
Balance at January 1, 2010	$ 41,883	$ 9,938	$ 3,977	$ 2,014	$ 57,812
Additions	1,289	442	-	1,434	3,165
Disposals	(235)	-	(27)	-	(262)
Balance at December 31, 2010	$ 42,937	$ 10,380	$ 3,950	$ 3,448	$ 60,715
Balance at January 1, 2011	**$ 42,937**	**$ 10,380**	**$ 3,950**	**$ 3,448**	**$ 60,715**
Transferred from GRF (a)	**127,755**	**42,032**	**2,124**	**-**	**171,911**
Additions	**4,211**	**1,324**	**655**	**1,639**	**7,829**
Disposals	**(699)**	**-**	**(1)**	**-**	**(700)**
Balance at December 31, 2011	**$ 174,204**	**$ 53,736**	**$ 6,728**	**$ 5,087**	**$ 239,755**

	Buildings	Infrastructure	Leasehold Improvements	Other	Total
Depreciation and impairment losses					
Balance at January 1, 2010	$ 2,205	$ 527	$ 2,145	$ -	$ 4,877
Depreciation expense	1,235	257	650	-	2,142
Impairment losses	207	-	-	-	207
Disposals	(235)	-	-	-	(235)
Balance at December 31, 2010	$ 3,412	$ 784	$ 2,795	$ -	$ 6,991
Depreciation and impairment losses					
Balance at January 1, 2011	**$ 3,412**	**$ 784**	**$ 2,795**	**$ -**	**$ 6,991**
Transferred from GRF (a)	**39,123**	**11,207**	**2,043**	**-**	**52,373**
Depreciation expense	**3,900**	**1,091**	**497**	**-**	**5,488**
Disposals	**(575)**	**-**	**(2)**	**-**	**(577)**
Impairment losses	**-**	**-**	**-**	**691**	**691**
Balance at December 31, 2011	**$ 45,860**	**$ 13,082**	**$ 5,333**	**$ 691**	**$ 64,966**
Carrying Amounts					
At January 1, 2010	$ 39,678	$ 9,411	$ 1,832	$ 2,014	$ 52,935
At December 31, 2010	$ 39,525	$ 9,596	$ 1,155	$ 3,448	$ 53,724
At December 31, 2011	**$ 128,344**	**$ 40,654**	**$ 1,395**	**$ 4,396**	**$ 174,789**

The aggregate fair value of properties at December 31, 2011 was $299.0 million (2010 - $281.0 million).

	2011	2010
Rental income from investment properties	**$ 37,802**	$ 33,661
Direct operating expenses from property that generated rental income during the year	**(26,565)**	(21,353)
	$ 11,237	$ 12,308

a) Pursuant to Order in Council 204/2011 dated March 31, 2011, the GRF transferred investment property with a cost of $171.9 million and accumulated amortization of $52.4 million to CIC at book value.

14. Intangible assets

	Goodwill	Research and development costs	Customer accounts	Indefinite life (a)	Other	Total
Cost						
Balance at January 1, 2010	$ 18,395	$ 377,487	$ 58,501	$ 65,981	$ 3,613	$ 523,977
Acquisitions - internally developed	-	9,888	-	-	9,111	18,999
Disposals and transfers	(11,938)	(7,054)	(4,253)	-	-	(23,245)
Acquisitions - other	-	16,044	4,364	-	1,142	21,550
Balance at December 31, 2010	$ 6,457	$ 396,365	$ 58,612	$ 65,981	$ 13,866	$ 541,281
Balance at January 1, 2011	**$ 6,457**	**$ 396,365**	**$ 58,612**	**$ 65,981**	**$ 13,866**	**$ 541,281**
Acquisitions - internally developed	**-**	**16,470**	**-**	**-**	**3,151**	**19,621**
Disposals	**-**	**(28,926)**	**-**	**-**	**-**	**(28,926)**
Acquisitions - other	**-**	**69,604**	**3,487**	**-**	**7,500**	**80,591**
Balance at December 31, 2011	**$ 6,457**	**$ 453,513**	**$ 62,099**	**$ 65,981**	**$ 24,517**	**$ 612,567**
Amortization and impairment losses						
Balance at January 1, 2010	$ -	$ 268,309	$ 29,817	$ -	$ 1,000	$ 299,126
Amortization expense	-	33,096	5,238	-	263	38,597
Disposals and other	-	(5,369)	(1,768)	-	-	(7,137)
Balance at December 31, 2010	$ -	$ 296,036	$ 33,287	$ -	$ 1,263	$ 330,586
Balance at January 1, 2011	**$ -**	**$ 296,036**	**$ 33,287**	**$ -**	**$ 1,263**	**$ 330,586**
Amortization expense	**-**	**34,097**	**5,214**	**-**	**626**	**39,937**
Disposals	**-**	**(28,885)**	**-**	**-**	**-**	**(28,885)**
Balance at December 31, 2011	**$ -**	**$ 301,248**	**$ 38,501**	**$ -**	**$ 1,889**	**$ 341,638**
Carrying Amounts						
At January 1, 2010	$ 18,395	$ 109,178	$ 28,684	$ 65,981	$ 2,613	$ 224,851
At December 31, 2010	$ 6,457	$ 100,329	$ 25,325	$ 65,981	$ 12,603	$ 210,695
At December 31, 2011	**$ 6,457**	**$ 152,265**	**$ 23,598**	**$ 65,981**	**$ 22,628**	**$ 270,929**

a) For the purpose of impairment testing, indefinite-life assets (spectrum licenses) are allocated to SaskTel. This is the lowest level within the Corporation at which indefinite-life intangible assets are monitored for internal management purposes, which is not higher than the Corporation's operating segments. The Corporation's CGU impairment tests were based on fair value less costs to sell using comparable companies that are listed on exchanges and are actively traded. Share prices for these companies were used to derive an Enterprise Value (EV) to earnings before interest, taxes, depreciation, and amortization (EBITDA) ratio that was applied to the EBITDA of the unit to determine the recoverable amount. The Corporation applied an industry average EV to EBITDA ratio adjusted for minority discounts associated with publicly traded shares to the EBITDA of the unit to estimate the recoverable amount of the unit. Current impairment tests indicated no impairment at December 31, 2011. Previous impairment tests conducted indicated no impairment at January 1, 2010 and December 31, 2010.

15. Other assets

	Note	2011	2010
Deferred supply agreements		$ 7,252	$ 9,065
Deferred telecommunication connection charges		5,821	5,798
Accrued pension asset	21	-	141
Other deferred charges		8,551	5,862
		$ 21,624	$ 20,866

16. Notes payable

Notes payable are due to the GRF. These notes are due on demand and have an effective interest rate of 1.03 per cent (2010 - 1.07 per cent).

17. Deferred revenue

	Note	2011	2010
Unearned insurance premiums		$ 264,926	$ 242,497
Customer contributions		47,827	27,322
Services billed in advance		42,378	43,306
Premium taxes payable		20,061	18,856
Amounts due to reinsurers		9,477	5,960
Deferred funding from the GRF	8(a)	-	100,240
Other deferred revenue		18,952	18,856
		$ 403,621	$ 457,037

18. Provisions

	Decommissioning Provisions (a)	Environmental Remediation (b)	Unpaid Insurance Claims Note 7 (f)	Other Provisions	Total
Balance at January 1, 2010	$ 88,468	$ 135,701	$ 285,751	$ 4,839	$ 514,759
Provision for decommissioning and environmental remediation liabilities	619	4,422	-	-	5,041
Other provisions made	5,243	-	284,854	4,125	294,222
Provisions used	(106)	(2,863)	(254,697)	(4,907)	(262,573)
Accretion expense	3,259	-	-	-	3,259
Unwind of discount	562	1,533	-	210	2,305
Balance at December 31, 2010	$ 98,045	$ 138,793	$ 315,908	$ 4,267	$ 557,013
Current	$ -	$ -	$ 124,701	$ 1,079	$ 125,780
Non-current	$ 98,045	$ 138,793	$ 191,207	$ 3,188	$ 431,233
Balance at January 1, 2011	**$ 98,045**	**$ 138,793**	**$ 315,908**	**$ 4,267**	**$ 557,013**
Provision for (recovery of) decommissioning and environmental remediation liabilities	**1,667**	**(40,450)**	**-**	**-**	**(38,783)**
Other provisions made	**19,748**	**-**	**323,125**	**-**	**342,873**
Provisions used	**(493)**	**-**	**(264,974)**	**(1,698)**	**(267,165)**
Accretion expense	**3,533**	**-**	**-**	**-**	**3,533**
Unwind of discount	**622**	**1,495**	**-**	**177**	**2,294**
Balance at December 31, 2011	**$ 123,122**	**$ 99,838**	**$ 374,059**	**$ 2,746**	**$ 599,765**
Current	**$ -**	**$ -**	**$ 159,335**	**$ 253**	**$ 159,588**
Non-current	**$ 123,122**	**$ 99,838**	**$ 214,724**	**$ 2,493**	**$ 440,177**

a) Decommissioning provisions

CIC has estimated the future cost of decommissioning certain electrical and natural gas facilities. For the purposes of estimating the fair value of these obligations, it is assumed that these costs will be incurred between 2013 and 2110 for natural gas facilities and 2012 and 2043 for electrical facilities. The undiscounted cash flows required to settle the obligations total $275.3 million (2010 - $270.8 million). Risk-free rates between 2.8 per cent and 4.5 per cent were used to calculate the discounted carrying value of the obligation. No funds have been set aside by CIC to settle this liability. During 2011, the Corporation recorded an additional $1.7 million in decommissioning provisions (2010 - $0.6 million) related to its electrical facilities.

b) Environmental remediation

The following are included in the provision for (recovery of) environmental remediation liabilities:

i) CIC is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of these liabilities. Based on external studies on the site, the Corporation recorded a recovery of $18.0 million in 2011 (2010 - expense of $1.2 million) for a total of $10.0 million (2010 - $28.0 million), to carry out the clean-up activities and associated costs related to an indemnity provided by Prince Albert Pulp Company (PAPCO) and the Province of Saskatchewan for environmental remediation liabilities predating 1986 related to the Prince Albert pulp mill site no longer owned by CIC. The timing to complete this remediation is indeterminable at this time.

ii) Based on external studies completed on the site, CIC recorded a recovery of $14.9 million in 2011 (2010 - expense of $2.8 million) for a total of $50.5 million (2010 - $65.4 million), to carry out the clean-up activities related to an indemnity provided by PAPCO and the Province of Saskatchewan for environmental remediation liabilities predating 1986 relating to the ERCO Chemical Plant. The timing to complete this remediation is indeterminable at this time.

iii) The Corporation has recorded a recovery of $8.9 million in 2011 (2010 - $Nil) for a total of $0.4 million (2010 - $9.3 million) for estimated clean-up activities related to an obligation of Meadow Lake Pulp Limited Partnership as a result of the sale of its assets. These funds are held in trust according to court order, and are to be applied against continued site monitoring expenses through to January 2017, at which time residual amounts may be utilized to conduct a human health and ecological assessment or for specific site remediation according to the landfill closure plan as prepared for the site by SLR Consulting. The recovery is a result of adjusting the provision to the amount mandated by the Court of Queen's Bench in its May 13, 2011 ruling regarding the Corporation's obligations related to the site.

iv) In 2011, the Corporation increased its estimate for environmental remediation liabilities for its electrical generation assets by $1.3 million (2010 - $0.4 million). The Corporation estimates the undiscounted amount of cash flows required for electrical generation environmental remediation is approximately $42.6 million, which will be incurred by 2015 (2010 - $42.6 million to be incurred by 2014). A rate, based on the Government of Saskatchewan 10-year bond yield, of 2.94 per cent was used to calculate the carrying value of this provision. No funds have been set aside by the Corporation to settle these liabilities.

19. Finance and operating leases

	2011	2010
Total future minimum lease payments	$ 1,453,866	$ 996,494
Less: future finance charges on finance leases	(891,828)	(577,045)
Present value of finance lease obligations	562,038	419,449
Less: current portion of finance lease obligations	(3,632)	(3,502)
Finance lease obligations	$ 558,406	$ 415,947

As at December 31, 2011, scheduled future minimum lease payments and the present value of finance lease obligations are as follows:

	1 year	1-5 years	More than 5 years
Future minimum lease payments	$ 71,549	$ 302,130	$ 1,080,187
Present value of finance lease obligations	3,632	34,430	523,976

Future minimum lease payments for operating leases entered into by CIC, as lessee, are as follows:

	1 year	1-5 years	More than 5 years
Future minimum lease payments	$ 9,276	$ 23,108	$ 9,222

20. Long-term debt

	2011		2010	
	Principal Outstanding	Effective Interest Rate	Principal Outstanding	Effective Interest Rate
Years to Maturity				
A. General Revenue Fund				
1 - 5 years	$ 397,762	5.21	$ 324,101	5.34
6 - 10 years	569,012	6.92	651,174	6.64
11 - 15 years	725,120	8.76	725,120	8.76
16 - 20 years	529,000	6.15	169,000	5.62
21 - 25 years	500,000	5.72	860,000	6.00
26 - 30 years	1,186,684	4.86	1,186,684	4.86
Total due to GRF	3,907,578		3,916,079	
B. Other long-term debt (a) (due 2016 to 2042)	67,760	2.79	21,379	6.56
	3,975,338		3,937,458	
Unamortized debt premium	29,966		30,600	
	4,005,304		3,968,058	
Due within one year	(52,446)		(15,035)	
Total long-term debt	$ 3,952,858		$ 3,953,023	

a) Included in other long-term debt is $55.5 million (2010 - $6.5 million) owing to the Government of Canada Immigrant Investor Program. Repayment is due five years from the date received including interest at an effective interest rate of 1.39 per cent (2010 - 1.47 per cent).

b) Principal repayments due in each of the next five years are as follows:

2012	$ 52,446
2013	153,533
2014	57,476
2015	60,595
2016	136,657

There is a requirement attached to certain interest-bearing issues from the GRF to make annual payments into sinking funds in amounts representing 1.0 per cent to 3.0 per cent of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues, upon maturity, with the GRF on a net basis.

21. Employee future benefits

CIC has three defined benefit pension plans for certain of its employees that have been closed to new membership. Annual audited financial statements for each plan are prepared and released publicly. Current service costs of this plan are charged to net earnings on the basis of actuarial valuations.

The actuarial valuations include a provision for uncommitted and ad hoc benefit increases, and are measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate. The major assumptions used in the valuations are as follows:

	2011		
	SaskTel	SGI	SaskPower
Economic Assumptions			
Discount rate - end of year	4.30%	4.20%	4.25%
Expected return on plan assets	6.75%	5.50%	6.75%
Inflation rate	2.50%	2.50%	2.50%
Expected salary increase	3.00%	2.50%	3.50%
Post-retirement index	100% of CPI	0% of CPI	70% of CPI
Last actuarial valuation	12/31/10	12/31/10	12/31/11[1]

	2010		
	SaskTel	SGI	SaskPower
Economic Assumptions			
Discount rate - end of year	5.25%	4.90%	5.25%
Expected return on plan assets	6.75%	5.50%	6.75%
Inflation rate	2.50%	2.50%	2.50%
Expected salary increase	3.00%	2.50%	3.50%
Post-retirement index	100% of CPI	0% of CPI	70% of CPI
Last actuarial valuation	12/31/2010	01/01/2010	12/31/2010

The actuarial assumptions are based on management's expectations, independent actuarial advice and guidance provided by IFRS. Two of the most significant assumptions are the discount rate and expected long-term rate of return on plan assets. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the obligations. The expected long-term rate of return on assets is based upon the asset mix of the expected returns for each asset class.

[1] The measurement date of the latest actuarial valuation used to determine SaskPower's defined benefit pension plan assets and obligations was September 30, 2011 and the results were extrapolated to December 31, 2011.

Information about CIC's defined benefit plans is as follows:

	2011		
	SaskTel	SGI	SaskPower
Accrued benefit obligation			
Accrued benefit obligation, beginning of year	$ 1,050,704	$ 36,431	$ 891,497
Current service cost	1,075	116	3,188
Interest cost	53,475	1,713	45,519
Benefits paid	(66,408)	(2,940)	(54,828)
Impact of change in actuarial assumptions in other comprehensive income	91,464	1,987	101,774
Experience and other	-	-	1,229
Accrued benefit obligation, end of year	$ 1,130,310	$ 37,307	$ 988,379

	2010		
	SaskTel	SGI	SaskPower
Accrued benefit obligation			
Accrued benefit obligation, beginning of year	$ 976,755	$ 36,259	$ 862,752
Current service cost	1,693	131	6,539
Interest cost	56,731	1,848	48,494
Benefits paid	(65,849)	(2,954)	(50,874)
Impact of change in actuarial assumptions in other comprehensive income	81,374	1,147	44,276
Experience and other	-	-	(19,690)
Accrued benefit obligation, end of year	$ 1,050,704	$ 36,431	$ 891,497

	2011		
	SaskTel	SGI	SaskPower
Plan assets			
Fair value of plan assets, beginning of year	$ 945,668	$ 36,843	$ 744,687
Expected return on plan assets	62,137	3,017	50,576
Actuarial losses in other comprehensive income	(43,301)	(2,951)	(41,468)
Employee funding contributions	198	28	378
Employer funding contributions	15,989	70	27,216
Benefits paid	(66,408)	(2,940)	(54,828)
Fair value of plan assets, end of year	$ 914,283	$ 34,067	$ 726,561
Funded status - plan deficit and accrued pension liability	$ (216,027)	$ (3,240)	$ (261,818)

	2010		
	SaskTel	SGI	SaskPower
Plan assets			
Fair value of plan assets, beginning of year	$ 896,306	$ 36,491	$ 700,223
Expected return on plan assets	58,846	3,416	26,805
Actuarial gains (losses) in other comprehensive income	39,555	(224)	40,490
Employee funding contributions	358	36	737
Employer funding contributions	16,452	78	27,306
Benefits paid	(65,849)	(2,954)	(50,874)
Fair value of plan assets, end of year	$ 945,668	$ 36,843	$ 744,687
Funded status - plan (deficit) surplus	$ (105,036)	$ 412	$ (146,810)
Other	-	(271)	-
Accrued pension (liability) asset	$ (105,036)	$ 141	$ (146,810)

On a combined basis, the accrued pension asset is $Nil (2010 - $0.1 million) (Note 15).

The defined benefit plan pension expense (income) is as follows:

	2011		
	SaskTel	SGI	SaskPower
Current service cost - defined benefit plan	$ 877	$ 89	$ 2,672
Interest cost	53,475	1,713	45,519
Expected return on pension plan assets	(62,137)	(1,951)	(49,347)
Defined benefit plan pension income	**$ (7,785)**	**$ (149)**	**$ (1,156)**

	2010		
	SaskTel	SGI	SaskPower
Current service cost - defined benefit plan	$ 1,332	$ 96	$ 5,575
Interest cost	56,731	1,848	48,494
Expected return on pension plan assets	(58,846)	(1,929)	(46,495)
Defined benefit plan pension (income) expense	$ (783)	$ 15	$ 7,574

On a combined basis, the defined benefit pension plan income is $9.1 million (2010 - pension plan expense - $6.8 million).

The asset allocation of the defined benefit pension plans is as follows:

	2011		
	SaskTel	SGI	SaskPower
Asset category			
Short-term investments	10.5%	4.0%	0.7%
Bond and debentures	27.8%	56.0%	36.0%
Equity securities - Canadian	21.6%	15.0%	18.0%
Equity securities - US	14.4%	14.0%	10.0%
Equity securities - Non-North American	15.3%	11.0%	25.0%
Real estate	10.4%	0.0%	10.3%

	2010		
	SaskTel	SGI	SaskPower
Asset category			
Short-term investments	8.0%	4.0%	0.6%
Bond and debentures	25.0%	51.0%	34.3%
Equity securities - Canadian	25.5%	18.0%	19.4%
Equity securities - US	15.2%	13.0%	10.7%
Equity securities - Non-North American	17.1%	14.0%	26.6%
Real estate	9.2%	0.0%	8.4%

Other benefit plans

Other benefit plans include a defined benefit and a defined contribution severance plan, a supplementary superannuation plan, two defined benefit service recognition plans, a defined benefit retiring allowance plan and a voluntary early retirement plan:

	2011			
	SaskTel	SGI[1]	SaskPower	SaskEnergy
Accrued benefit liability	$ 21,843	$ 19,177	$ 52,651	$ 13,180
Net expense	910	2,351	8,988	1,287

[1] Effective December 31, 2011, the defined service recognition plan at SGI was frozen for current employees and closed to new employees.

	2010			
	SaskTel	SGI	SaskPower	SaskEnergy
Accrued benefit liability	$ 21,011	$ 17,346	$ 56,134	$ 13,853
Net expense	1,061	2,380	7,863	1,422

The significant actuarial assumptions adopted in measuring CIC's accrued benefit obligations are:

	2011			
	SaskTel	SGI	SaskPower	SaskEnergy
Discount rate	4.5%	3.8%	3.8%	3.6%
Long-term rate of compensation increases	3.0%	3.5%	3.5%	3.0%
Remaining service life (years)	11.0	10.0	8.0	7.0

	2010			
	SaskTel	SGI	SaskPower	SaskEnergy
Discount rate	5.4%	4.5%	4.0%	4.2%
Long-term rate of compensation increases	3.0%	3.5%	3.5%	3.0%
Remaining service life (years)	12.0	10.0	9.0	7.0

Cumulative actuarial losses recognized directly in other comprehensive loss are as follows:

	2010		
	SaskTel	SGI	SaskPower
Cumulative amount, beginning of year	$ -	$ -	$ -
Recognized during the year for defined benefit pension plan	(41,819)	(1,371)	(3,786)
Recognized during the year for other benefit plans	(1,214)	-	790
Cumulative amount, end of year	$ (43,033)	$ (1,371)	$ (2,996)

	2011		
	SaskTel	SGI	SaskPower
Cumulative amount, beginning of year	$ (43,033)	$ (1,371)	$ (2,996)
Recognized during the year for defined benefit pension plan	(134,765)	(4,938)	(143,242)
Recognized during the year for other benefit plans	(1,133)	-	268
Cumulative amount, end of year	$ (178,931)	$ (6,309)	$ (145,970)

For the year ended December 31, 2011, the total actuarial losses recognized of $283.8 million (2010 - $47.4 million) are transferred from accumulated other comprehensive income to retained earnings. The cumulative amount therefore does not appear in Note 24.

Employee future benefit liability

The employees future benefit liability includes liabilities incurred from CIC's defined benefit plans and other benefit plans. At December 31, 2011, these liabilities totaled $588.3 million (2010 - $360.5 million).

Defined contribution pension plans

CIC also has employees who are members of defined contribution pension plans. CIC's financial obligation is limited to contractual contributions to the plan. For the year ended December 31, 2011, CIC paid $48.0 million (2010 - $46.3 million) into these plans.

22. Other liabilities

	2011	2010
Customer contributions	$ 40,490	$ 19,997
Government grants	18,405	18,759
Other liabilities	19,103	32,965
	$ 77,998	$ 71,721

23. Equity advances and capital disclosures

CIC does not have share capital. However, CIC has received advances from the GRF to form its equity capitalization. The advances are an equity investment in CIC by the GRF.

Due to its ownership structure, CIC has no access to capital markets for equity. Equity advances in CIC are determined by the shareholder on an annual basis. Dividends to the GRF are determined through the Saskatchewan provincial budget process on an annual basis.

CIC closely monitors its debt level utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a CIC's capital structure. CIC uses this measure in assessing the extent of financial leverage and in turn, its financial flexibility.

Too high a ratio relative to target indicates an excessive debt burden that may impair CIC's ability to withstand downturns in revenues and still meet fixed payment obligations. The ratio is calculated as net debt divided by capitalization at the end of the year.

CIC reviews the debt ratio targets of all its subsidiary Crown corporations on an annual basis to ensure consistency with industry standards. This review includes subsidiary Crown corporations' plans for capital spending. The target debt ratios for subsidiary Crown corporations are approved by the CIC Board. CIC uses targeted debt ratios to compile a weighted average debt to equity ratio for the CIC Crown sector. The target ratio for 2012 is 60.3 per cent.

CIC raises most of its capital requirements through internal operating activities and long-term debt through the GRF. This type of borrowing allows CIC to take advantage of the Province of Saskatchewan's strong credit rating and receive financing at attractive interest rates.

CIC made no changes to its approach to capital management during the year.

The debt ratio is as follows:

	Note	2011	2010
Total debt (a)		$ 4,701,768	$ 4,440,909
Less: Sinking funds	6	(513,215)	(419,665)
Net debt		4,188,553	4,021,244
Equity (b)		4,221,746	4,062,529
Capitalization		$ 8,410,299	$ 8,083,773
Debt ratio		49.8%	49.7%

a) Total debt includes long-term debt, long-term debt due within one year and notes payable.

b) Equity includes equity advances, contributed surplus and retained earnings.

On February 29, 2012, CIC declared a dividend to the GRF in the amount of $120.0 million payable on or before March 30, 2012.

24. Accumulated other comprehensive loss

	2011	2010
Foreign currency translation adjustments	$ (670)	$ (1,106)
Unrealized gains on cash flow hedges	257	374
Unrealized losses on interest rate swaps	(291)	(525)
Unrealized gains on natural gas hedges	-	346
	$ (704)	$ (911)

25. Commitments and contingencies

The following significant commitments and contingencies exist at December 31, 2011:

a) CIC has committed to provide $63.7 million (2010 - $73.5 million) in loans and equity for investment in Saskatchewan business.

b) CIC has a $Nil (2010 - $5.0 million) U.S. dollar guarantee related to certain obligations to its equity investment in Gas Sur S.A., established under provisions of the shareholders' agreement.

c) The Corporation has entered into power purchase agreements that provide approximately 581 MW of generating capacity. Certain take-or-pay power purchase agreements have been classified as finance leases as disclosed in Note 19. The Corporation has negotiated other power purchase agreements which also will be classified as finance leases upon commissioning of the related generating facilities. The expected future minimum lease payments related to these power purchase agreements is expected to be $2,529.7 million until 2033 (2010 - $3,044.5 million until 2036).

d) At 2011 prices, CIC has forward commitments of $1,086.5 million (2010 - $1,180.6 million) extending until 2024 for future minimum coal deliveries.

e) As at December 31, 2011, CIC has committed to spend $1,334.7 million (2010 - $1,265.0 million) on capital projects.

f) CIC has issued letters of credit in the amount of $21.9 million (2010 - $26.9 million).

g) CIC has entered into contracts to purchase natural gas expected to cost $341.3 million (2010 - $234.9 million) based on forward market prices until 2016. This includes fixed price forward contracts with a notional value of $324.3 million (2010 - $209.5 million) which apply for the own-use scope exception.

h) Through the Energy Performance Contracting (EPC) Program, CIC has guaranteed $22.0 million (2010 - $20.9 million) of energy savings to various customers. The EPC Program is a comprehensive facility improvement initiative designed to enhance the facilities of the customer while permanently reducing utility costs. These guarantees are offset by third party guarantees to CIC that ensure the energy savings are realized.

i) As at December 31, 2011, CIC has committed to future electricity and natural gas trading sales of $13.9 million (2010 - $15.8 million) and electricity trading and transmission purchases of $52.2 million (2010 - $50.6 million).

j) Subject to certain conditions, CIC has agreed to make annual payments of $2.6 million to the Regina Exhibition Association until 2027 and $0.4 million to the Moose Jaw Exhibition Company Ltd. until 2028, as compensation for the loss of gaming income caused by the operation of Casino Regina and Casino Moose Jaw respectively.

k) CIC has outstanding service contract commitments of $221.7 million (2010 - $260.1 million).

l) CIC has issued a $5.0 million (2010 - $5.0 million) promissory note provided as acceptable credit support for project lenders in respect of the debt coverage service ratio requirements for the Cory Cogeneration Station.

m) The Corporation has committed to provide $9.3 million (2010 - $Nil) to builders and developers as part of the Headstart on a Home program.

n) On August 9, 2004, a proceeding under the *Class Actions Act* (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including the Corporation. The proceeding involves allegations by wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning system administration fees. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers. Similar proceedings have been filed by, or on behalf of, Plaintiffs' counsel in other provincial jurisdictions. On July 18, 2006, the Saskatchewan court declined to certify the action as a class action, but granted the Plaintiffs leave to renew their application in order to further address certain statutory requirements respecting class actions. The Plaintiffs renewed their application for certification and the renewed application was heard in June of 2007. On September 17, 2007, the Saskatchewan court certified the Plaintiff's proceeding as a class action with respect to an allegation of unjust enrichment only for wireless customers during the period of April 1, 1987 and the date of the certification order being February 13, 2008. The Corporation continues to believe that it has strong defenses to the allegations and that legal errors were made by the court in the certification proceeding. The Corporation was granted leave to appeal the certification decision in this matter to the Court of Appeal on March 15, 2010. The appeal itself was heard on December 13 and 14, 2010. On November 15, 2011 the Court of Appeal released its decision dismissing the appeal of the Corporation from the certification order. The Corporation is seeking Leave to Appeal the Saskatchewan Court of Appeal decision to the Supreme Court of Canada.

On July 24, 2009 a second proceeding under the *Class Actions Act* (Saskatchewan) was issued against several Canadian wireless and cellular service providers, including the Corporation. The Corporation believes this second claim involves substantially the same allegations as the 2004 claim that was heard before the Saskatchewan Court of Appeal in December 2010. On December 7 and 8, 2009 the Court of Queen's Bench heard motions by the Defendants, including the Corporation, that the second action commenced by the Plaintiffs in July 2009 should be permanently stayed (prevented from proceeding in any manner) as an abuse of the process of the Court, given the existence of the 2004 action. A decision by the Court of Queen's Bench on the Defendant's Abuse of process motion was issued December 23, 2009. This second action has been conditionally stayed as an abuse of process without prejudice to the plaintiff to pursue their claims in the future if circumstances change. The Corporation believes that it has strong defenses to the allegations contained in the most recent 2009 claim.

o) On June 26, 2008, a proceeding under the *Class Actions Act* (Saskatchewan) was brought against several Canadian wireline, wireless and cellular service providers, including the Corporation. The proceeding involves allegations by wireline and wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning fees and charges paid for 911 service. The Plaintiffs seek unquantified damages from the defendant communications service providers. Thus far the claim has simply been issued by the Plaintiffs. The Corporation is not aware whether all the named defendant carriers have been served with the claim yet. The Corporation believes that it has strong defenses to the allegations that are made by the plaintiffs in the claim and will be strongly defending and opposing the claims that have been made. External legal counsel has been retained by the Corporation to handle this matter.

In September 2011 the Corporation was served with a second 911 Class Action claim substantially the same as the 2008 Saskatchewan action. This second claim was issued in Alberta in August 2008 but not served on the Corporation until more than 3 years later. The Corporation believes that it has strong defenses to the allegations that are made by the Plaintiffs in the claim and will be strongly defending and opposing the claims that have been made. External legal counsel has been retained. Currently, the Corporation is not aware of any further proceedings being taken in this second action beyond service for the claim.

p) In November 2011 the Corporation was served with two proposed Class Action claims, one issued in Saskatchewan and one issued in Alberta. The claims substantially overlap and name the major wireless carriers in Canada, including the Corporation, and Research in Motion as defendants. The proposed claims seek compensation related to Blackberry service issues alleged to have occurred in October 2011. The Corporation has retained external counsel for these matters. The Corporation believes that it has strong defenses to the allegations that are made by the Plaintiffs in the claim and will be strongly defending and opposing the claims that have been made. Currently, the Corporation is not aware of any further proceedings being taken in this second action beyond service of the claim.

q) CIC has been named a defendant in a number of civil actions in relation to a natural gas explosion that occurred in April 2008 in Nipawin, Saskatchewan. CIC has denied liability on all claims, which remain at an early stage, and does not expect the outcome to result in any material financial impact.

r) In June, 2011, three statements of claim were filed against CIC in relation to a home explosion, a basement fire and a garage fire during the spring of 2011 in Regina, Saskatchewan. These claims remain at an early stage, statements of defense have not yet been filed and CIC does not expect the outcome to result in any material financial impact.

s) CIC has various legal matters pending which, in the opinion of management, will not have a material effect on CIC's consolidated financial position or results of operations. Should the ultimate resolution of actions differ from management's assessments and assumptions, a material adjustment to CIC's financial position or results of operations could result.

26. Depreciation and amortization

	Note	2011	2010
Property, plant and equipment	12	$ 504,791	$ 473,879
Intangible assets	14	39,937	38,597
Investment property	13	5,488	2,142
		$ 550,216	$ 514,618

27. Saskatchewan taxes and fees

	2011	2010
Saskatchewan capital tax	$ 47,114	$ 45,817
Grants in lieu of taxes to municipalities	33,127	31,122
Gaming fees	25,867	21,504
Insurance premium tax	17,117	16,307
Other	2,802	2,252
	$ 126,027	$ 117,002

28. Finance income and expenses

	Note	2011	2010
Recognized in consolidated net earnings			
Sinking fund earnings		$ 36,015	$ 26,223
Gain on sale of investments at fair value through profit or loss		10,906	17,350
Net change in fair value of financial assets at fair value through profit or loss		20,169	18,601
Interest income from investments at fair value through profit or loss		21,246	24,284
Other		15,853	9,096
Finance income		104,189	95,554
Interest expense on financial liabilities measured at amortized cost		304,098	293,141
Net change in fair value of financial assets at fair value through profit or loss		19,238	-
Investment write-downs		14,320	15,725
Provision for loan losses		3,363	4,127
Unwind of discount on provisions	18	2,294	2,305
Accretion expense on provisions	18	3,533	3,259
Interest capitalized[1]		(21,741)	(27,686)
Other		489	4,230
Finance expense		325,594	295,101
Net finance expense		$ 221,405	$ 199,547
Recognized directly in equity			
Foreign currency translation adjustments		$ 436	$ (144)
Unrealized (loss) gain on cash flow hedges		(118)	516
Finance income recognized directly in equity and attributable to Province of Saskatchewan		$ 318	$ 372

[1] The weighted average interest rate used to capitalize interest was 5.61 per cent at December 31, 2011 (2010 - 5.73 per cent).

29. Consolidated statement of cash flows

	Note	2011	2010
Adjustments to reconcile net earnings to cash provided by operating activities			
Depreciation and amortization	26	$ 550,216	$ 514,618
Share of net earnings from investments in equity accounted investees	11	(10,437)	(16,933)
Gain from discontinued operations	10	(30,802)	(4,822)
Net loss on sale of equity accounted investees	11(d)	8,576	-
Defined benefit pension (income) expense	21	(9,027)	6,865
Defined pension plan contributions	21	(43,275)	(43,836)
(Recovery of) provision for decommissioning and environmental remediation liabilities	18	(38,783)	5,041
Unrealized (gains) losses on derivative financial instruments	7(b)	31,742	19,580
Inventory write-downs		33,057	20,205
Loss on disposal of property, plant and equipment		7,165	9,719
Net finance expenses	28	221,405	199,547
Other non-cash items		14,504	22,980
		$ 734,341	$ 732,964

30. Related party transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). CIC has elected to take a partial exemption under IAS 24 - *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government or other government related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

CIC pays Saskatchewan provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these consolidated financial statements and the notes thereto.

Key management personnel compensation

In addition to salaries, CIC provides non-cash benefits to key management personnel, defined as the Board of Directors of each of its subsidiaries, as well as the President and Vice-Presidents of CIC and each of its subsidiaries.

Key management personnel compensation is comprised of:

	2011	2010
Salaries, wages and short-term employee benefits	$ 21,005	$ 18,998
Employee future benefits	1,236	1,179
Termination benefits	-	124
Other	8	35
	$ 22,249	$ 20,336

31. Explanation of transition to IFRS

As stated in Note 2(a), these are CIC's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in Note 3 have been consistently applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010, and the preparation of an opening IFRS statement of financial position at January 1, 2010 (CIC's date of transition).

In preparing these consolidated financial statements, CIC has adjusted amounts reported previously in financial statements prepared in accordance with GAAP. These adjustments relate to reclassifications and corrections of amounts previously reported under GAAP, or are required for the transition from GAAP to IFRS. Explanations of how these adjustments have affected CIC's financial position, financial performance and cash flows are set out in the following tables and the notes that accompany the tables (in cases where adjustments result in differences in excess of $5.0 million unless otherwise noted).

RECONCILIATION OF CONSOLIDATED EQUITY

		December 31, 2010			January 1, 2010		
	Note	GAAP Balance	Adjustments	IFRS Balance	GAAP Balance	Adjustments	IFRS Balance
ASSETS							
Current							
Cash and cash equivalents	a	$ 405,815	$ (1,287)	$ 404,528	$ 345,853	$ 3,181	$ 349,034
Short-term investments		210,613	-	210,613	501,054	-	501,054
Accounts receivable	b	565,608	34,193	599,801	569,457	35,370	604,827
Restricted cash and cash equivalents		129,130	(312)	128,818	85,011	(313)	84,698
Derivative financial assets		79,124	-	79,124	51,827	-	51,827
Inventories		397,543	205	397,748	413,845	262	414,107
Prepaid expenses	c	141,328	(5,030)	136,298	123,288	(5,898)	117,390
Assets classified as held-for-sale	d	9,195	32,534	41,729	8,822	(8,779)	43
		1,938,356	60,303	1,998,659	2,099,157	23,823	2,122,980
Restricted cash and cash equivalents		20,000	-	20,000	166,693	-	166,693
Investments	e	1,029,858	(14,964)	1,014,894	1,048,163	(9,780)	1,038,383
Investments in equity accounted investees	f	103,418	64,090	167,508	108,904	59,750	168,654
Property, plant and equipment	g	6,896,850	683,134	7,579,984	6,417,451	692,294	7,109,745
Investment property	h	-	53,724	53,724	-	52,935	52,935
Intangible assets	i	193,908	16,787	210,695	194,552	30,299	224,851
Other assets	j	193,510	(172,644)	20,866	182,441	(157,665)	24,776
Long-term assets from discontinued operations	k	38,878	(38,878)	-	38,932	(38,932)	-
		$ 10,414,778	$ 651,552	$ 11,066,330	$ 10,256,293	$ 652,724	$ 10,909,017

	Note	December 31, 2010 GAAP Balance	Adjustments	IFRS Balance	January 1, 2010 GAAP Balance	Adjustments	IFRS Balance
LIABILITIES AND PROVINCE'S EQUITY							
Current							
Bank indebtness	l	$ 8,750	$ 2,489	$ 11,239	$ 12,606	$ 3,100	$ 15,706
Trade and other payables	m	595,477	(24,051)	571,426	579,333	(6,959)	572,374
Derivative financial liabilities		113,764	(6)	113,758	66,664	(43)	66,621
Notes payable		472,851	-	472,851	423,725	-	423,725
Deferred revenue	n	556,924	(99,887)	457,037	479,029	(102,950)	376,079
Provisions	o	-	125,780	125,780	-	118,989	118,989
Current portion of finance lease [illegible]		900	2,602	3,502	900	1,222	2,122
Liabilities classified [illegible]		2,037	(402)	1,635	2,674	(2,412)	262
Long-term [illegible]		184,512	(4,277)	15,035	179,640	(3,980)	175,660
		[illegible]	2,248	1,772,263	1,744,571	6,967	1,751,538
[illegible]			431,233	431,233	-	395,770	395,770
[illegible]		-	409,286	415,947	6,661	411,887	418,548
[illegible]		[illegible]	(70,237)	3,953,023	3,594,957	(74,667)	3,520,290
[illegible]			360,525	360,525	-	353,255	353,255
[illegible]		-	(481,961)	71,721	652,625	(446,055)	206,570
[illegible]		[illegible]	(5,607)	-	5,909	(5,909)	-
			645,487	7,004,712	6,004,723	641,248	6,645,971
[illegible]							
Equity advances		931,152	-	931,152	1,051,152	-	1,051,152
Contributed surplus		161	-	161	136	-	136
Retained earnings	v	3,100,996	30,220	3,131,216	3,177,214	35,152	3,212,366
Accumulated other comprehensive income (loss)	w	23,244	(24,155)	(911)	23,068	(23,676)	(608)
		4,055,553	6,065	4,061,618	4,251,570	11,476	4,263,046
		$ 10,414,778	$ 651,552	$ 11,066,330	$ 10,256,293	$ 652,724	$ 10,909,017

RECONCILIATION OF CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	GAAP Balance	Adjustments	IFRS Balance
REVENUE				
Sales of products and services	x	$ 4,342,518	$ 36,261	$ 4,378,779
Investment	y	78,519	(78,519)	-
Other	z	122,841	(7,842)	114,999
		4,543,878	(50,100)	4,493,778
EXPENSES				
Operating costs	aa	3,283,075	(890,665)	2,392,410
Interest	ab	231,652	(231,652)	-
Salaries, wages and short-term employee benefits	ac	-	768,979	768,979
Employee future benefits	ad	-	65,893	65,893
Depreciation and amortization	ae	497,660	16,958	514,618
Loss on disposal of property plant and equipment	af	-	9,719	9,719
Impairment losses on investment property		-	207	207
Research and development	ag	-	5,815	5,815
Provision for decommissioning and environmental remediation liabilities		-	5,041	5,041
Saskatchewan taxes and fees	ah	136,816	(19,814)	117,002
		4,149,203	(269,519)	3,879,684
RESULTS FROM OPERATING ACTIVITIES		394,675	219,419	614,094
Finance income	ai	-	95,554	95,554
Finance expenses	aj	-	(295,101)	(295,101)
NET FINANCE EXPENSES		-	(199,547)	(199,547)
EARNINGS BEFORE THE FOLLOWING		394,675	19,872	414,547
Share of net profit of equity accounted investees	ak	-	16,933	16,933
Provision for decommissioning and environmental remediation liabilities		(4,020)	4,020	-
EARNINGS FROM CONTINUING OPERATIONS		390,655	40,825	431,480
Gain from discontinued operations		4,127	695	4,822
NET EARNINGS		394,782	41,520	436,302
OTHER COMPREHENSIVE INCOME (LOSS)				
Defined benefit plan actuarial losses		-	(47,400)	(47,400)
Share of changes in comprehensive income recognized by associates		-	349	349
Foreign currency translation adjustments		(845)	701	(144)
Unrealized gain (loss) on cash flow hedges		542	(26)	516
Unrealized gains on available-for-sale financial assets	al	23,710	(23,710)	-
Reclassification for realized gains on sale of investments included in operations	am	(23,231)	23,231	-
Other		-	(1,024)	(1,024)
OTHER COMPREHENSIVE INCOME (LOSS)		176	(47,879)	(47,703)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PROVINCE OF SASKATCHEWAN		$ 394,958	$ (6,359)	$ 388,599

RECONCILIATION OF CONSOLIDATED CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2010

Net change in cash under GAAP	$	63,811
Differences increasing (decreasing) reported net change in cash:		
Cash from operating activities		14,727
Cash used in investing activities		(19,967)
Cash from financing activities		7,417
Net change in cash under IFRS	$	65,988

Consistent with CIC's accounting policy choice under IAS 7 - *Statement of Cash Flows*, dividends received have been classified as investing activities. Interest paid has been reclassified from net earnings under GAAP into a separate line item in the operating activities section under IFRS. Interest received has been reclassified from net earnings within cash from operating activities under GAAP into a separate line item in the investing activities section under IFRS. Customer contributions which were netted against the purchase of property, plant and equipment under GAAP have been reclassified to operating cash flows under IFRS. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under GAAP.

The following tables provide breakdowns of reconciling items that impacted each financial statement line item as referenced in the reconciliations between GAAP and IFRS above (in cases where reconciling items result in differences in excess of $5.0 million unless otherwise noted). Narrative explanations for reconciling items follow the tables with cross references to those narratives as shown.

a Cash and cash equivalents

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Reverse GAAP discontinued operations reclassifications (1)	$ –	$ 6,094
Equity accounting under IFRS versus proportionate consolidation under GAAP (2)	(1,287)	(2,913)
	$ (1,287)	$ 3,181

b Accounts receivable

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Directory advertising revenue (3)	$ 18,333	$ 18,447
Saskatchewan Auto Fund constructive obligation (4)	5,153	5,868
Customer contributions (8)	5,291	4,562
Other	5,416	6,493
	$ 34,193	$ 35,370

c Prepaid expenses

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Prepaid publishing expenses (5)	$ (5,193)	$ (5,129)
Other	163	(769)
	$ (5,030)	$ (5,898)

d Assets classified as held-for-sale

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Reverse GAAP discontinued operations reclassifications (1)	$ –	$ (8,358)
Reclassify long-term assets from discontinued operations to current (6)	32,534	–
Other	–	(421)
	$ 32,534	$ (8,779)

e Investments

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Equity accounting under IFRS versus proportionate consolidation under GAAP (2)	$ (22,462)	$ (16,071)
Revalue cost-based investments (7)	7,385	6,211
Other	113	80
	$ (14,964)	$ (9,780)

f Investments in equity accounted investees

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Equity accounting under IFRS versus proportionate consolidation under GAAP (2)	$ 60,488	$ 59,456
Other	3,602	294
	$ 64,090	$ 59,750

g Property, plant and equipment

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Customer contributions (8)	$ 537,858	$ 489,943
Finance leases (9)	244,784	260,312
Property fair value adjustments (10)	204,806	207,233
De-capitalization of indirect overhead (11)	(211,118)	(178,806)
Equity accounting under IFRS versus proportionate consolidation under GAAP (2)	(99,751)	(102,664)
Reclassify investment property from property plant and equipment (12)	(54,370)	(53,502)
Reclassify gas in storage from other assets to property, plant and equipment (13)	33,194	33,921
Capitalized interest (14)	39,768	26,562
Recalculation of decommissioning and environmental remediation provisions (15)	(23,329)	(24,000)
Capital reconstruction charge (16)	17,678	18,500
Reverse GAAP discontinued operations reclassifications (1)	–	16,977
Reclassify government grants to other liabilities (17)	16,366	16,632
Reclassify property, plant and equipment to intangible assets (37)	(8,200)	(10,909)
Other	(14,552)	(7,905)
	$ 683,134	$ 692,294

h Investment property

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Reclassify investment property from property, plant and equipment (12)	$ 54,370	$ 53,502
Other	(646)	(567)
	$ 53,724	$ 52,935

i Intangible assets

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Reverse GAAP discontinued operations reclassifications (1)	$ -	$ 14,753
Reclassify property, plant and equipment to intangible assets (37)	8,200	10,909
Reclassify goodwill from other assets to intangible assets (18)	6,457	7,057
Other	2,130	(2,420)
	$ 16,787	$ 30,299

j Other assets

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Employee future benefits (19)	$ (238,695)	$ (196,592)
Reclassify employee future benefits (20)	105,034	80,449
Reclassify gas in storage from other assets to property, plant and equipment (13)	(33,194)	(33,921)
Reclassify goodwill from other assets to intangible assets (18)	(6,457)	(7,057)
Other	668	(544)
	$ (172,644)	$ (157,665)

k Long-term assets from discontinued operations

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Reverse GAAP discontinued operations reclassifications (1)	$ -	$ (31,732)
Reclassify long-term assets from discontinued operations to current (6)	(32,534)	-
Equity accounting under IFRS versus proportionate consolidation under GAAP (2)	-	(7,200)
Other	(6,344)	-
	$ (38,878)	$ (38,932)

l Bank indebtedness

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling item:		
Equity accounting under IFRS versus proportionate consolidation under GAAP (2)	$ 2,489	$ 3,100

m Trade and other payables

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Reclassify employee future benefits (20)	$ (21,348)	$ (20,073)
Customer contributions (8)	(6,837)	4,562
Other	4,134	8,552
	$ (24,051)	$ (6,959)

n Deferred revenue - current

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Reclassify unpaid insurance claims to provisions (21)	$ (125,060)	$ (117,994)
Directory advertising revenue (3)	(2,941)	(3,075)
Customer contributions (8)	27,018	17,451
Other	1,096	668
	$ (99,887)	$ (102,950)

o Provisions - current

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Reclassify unpaid insurance claims to provisions (21)	$ 125,060	$ 117,994
Other	720	995
	$ 125,780	$ 118,989

p Provisions - long-term

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Reclassify unpaid insurance claims to provisions (21)	$ 191,760	$ 175,581
Reclassify decommissioning and environmental remediation liabilities to provisions (22)	247,968	235,281
Recalculation of decommissioning and environmental remediation liabilities (15)	(8,993)	(10,305)
Recalculation of unpaid insurance claims (23)	(553)	(7,475)
Other	1,051	2,688
	$ 431,233	$ 395,770

q Finance lease obligations

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling item:		
Finance leases (9)	$ 409,286	$ 411,887

r Long-term debt

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Equity accounting under IFRS versus proportionate consolidation under GAAP (2)	$ (70,237)	$ (74,393)
Other	-	(274)
	$ (70,237)	$ (74,667)

s Employee future benefits

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Employee future benefits (19)	$ 138,293	$ 176,564
Reclassify employee future benefits from other liabilities (20)	95,850	76,169
Reclassify employee future benefits from trade and other other payables (20)	21,348	20,073
Reclassify employee future benefits from other assets (20)	105,034	80,449
	$ 360,525	$ 353,255

t Other liabilities

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Reclassify decommissioning and environmental remediation liabilities to provisions (22)	$ (247,968)	$ (235,281)
Reclassify unpaid insurance claims to provisions (21)	(191,760)	(175,581)
Reclassify employee future benefits (20)	(95,850)	(76,169)
Reclassify government grants to other liabilities (17)	16,366	16,632
Customer contributions (8)	20,456	9,051
Other	16,795	15,293
	$ (481,961)	$ (446,055)

u Long-term liabilities of discontinued operations

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling item:		
Equity accounting used under IFRS versus proportionate consolidation under GAAP (2)	$ (5,607)	$ (5,909)

v Retained earnings

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Customer contributions (8)	$ 502,512	$ 463,441
Employee future benefits (19)	(329,588)	(373,156)
Property fair value adjustments (10)	204,806	207,233
De-capitalization of indirect overhead (11)	(211,516)	(181,077)
Finance leases (9)	(167,104)	(152,797)
Reclassify actuarial losses from accumulated other comprehensive loss to retained earnings (24)	(47,400)	–
Reclassify investment gains from accumulated other comprehensive loss to retained earnings (25)	27,655	27,221
Capitalized interest (14)	37,584	26,521
Capital reconstruction charge (16)	17,678	18,500
Directory advertising revenue (3)	21,274	21,522
Prepaid publishing expenses (5)	(5,193)	(5,129)
Recalculation of decommissioning and environmental remediation provisions (15)	(14,336)	(13,695)
Equity accounting under IFRS versus proportionate consolidation under GAAP (2)	11,545	12,481
Recalculation of unpaid insurance claims (23)	1,416	7,475
Saskatchewan Auto Fund constructive obligation (4)	5,153	5,868
Revalue cost-based investments (7)	7,385	6,211
Other	(31,651)	(35,467)
	$ 30,220	$ 35,152

w Accumulated other comprehensive loss

	Increase (decrease)	
	December 31 2010	January 1 2010
Reconciling items:		
Reclassify investment gains from accumulated other comprehensive loss to retained earnings (25)	$ (27,655)	$ (27,221)
Reclassify actuarial losses from accumulated other comprehensive loss to retained earnings (24)	47,400	-
Employee future benefits (19)	(47,400)	-
Other	3,500	3,545
	$ (24,155)	$ (23,676)

x Sales of products and services

	Increase (decrease)
	December 31 2010
Reconciling items:	
Customer contributions (8)	$ 59,351
Reclassify revenue collected for municipalities (26)	(19,113)
Other	(3,977)
	$ 36,261

y Investment revenue

	Increase (decrease)
	December 31 2010
Reconciling items:	
Reclassify investment revenue to finance income (27)	$ (69,251)
Equity accounting under IFRS versus proportionate consolidation under GAAP (2)	(8,072)
Reclassify investment revenue to share of net profit of equity accounted investees (28)	(6,744)
Reclassify investment revenue to finance expenses (29)	5,548
Other	-
	$ (78,519)

z Other income

	Increase (decrease)
	December 31 2010
Reconciling items:	
Reclassify other income to finance income (30)	$ (16,498)
Reclassify other income to finance expenses (31)	11,397
Other	(2,741)
	$ (7,842)

aa Operating costs

	Increase (decrease)
	December 31 2010
Reconciling items:	
Reclassify salaries, wages and short-term employee benefits (32)	$ (741,702)
Reclassify employee future benefits (33)	(116,528)
Finance leases (9)	(52,181)
Equity accounting under IFRS versus proportionate consolidation under GAAP (2)	11,700
De-capitalization of indirect overhead (11)	8,672
Employee future benefits (19)	7,068
Recalculation of unpaid insurance claims (23)	6,059
Reclassify operating costs to research and development (34)	(5,815)
Other	(7,938)
	$ (890,665)

ab Interest	Increase (decrease)
	December 31 2010
Reconciling items:	
Reclassify interest to finance expenses (35)	$ (221,091)
Capitalized interest (14)	(11,032)
Other	471
	$ (231,652)

ac Salaries, wages and short-term employee benefits	Increase (decrease)
	December 31 2010
Reconciling items:	
Reclassify salaries, wages and short-term employee benefits (32)	$ 741,702
De-capitalization of indirect overhead (11)	27,268
Other	9
	$ 768,979

ad Employee future benefits	Increase (decrease)
	December 31 2010
Reconciling items:	
Reclassify employee future benefits (33)	$ 116,528
Employee future benefits (19)	(50,635)
	$ 65,893

ae Depreciation and amortization	Increase (decrease)
	December 31 2010
Reconciling items:	
Customer contributions (8)	$ 20,429
Finance leases (9)	15,528
Reclassify losses on sale of property, plant and equipment (36)	(8,029)
De-capitalization of indirect overhead (11)	(6,064)
Other	(4,906)
	$ 16,958

af Loss on disposal of property, plant and equipment	Increase (decrease)
	December 31 2010
Reconciling items:	
Reclassify losses on sale of property, plant and equipment (36)	$ 8,029
Other	1,690
	$ 9,719

ag Research and development	Increase (decrease)
	December 31 2010
Reconciling item:	
Reclassify operating costs to research and development (34)	$ 5,815

ah Saskatchewan taxes and fees	Increase (decrease)
	December 31 2010
Reconciling items:	
Reclassify revenue collected for municipalities (26)	$ (19,113)
Other	(701)
	$ (19,814)

ai Finance income	Increase (decrease)
	December 31 2010
Reconciling items:	
Reclassify investment revenue to finance income (27)	$ 69,251
Reclassify other income to finance income (30)	16,498
Reclassify unrealized investment gains from other comprehensive loss to finance income (25)	25,196
Reclassify realized investment gains from other comprehensive loss to finance income (25)	(17,350)
Other	1,959
	$ 95,554

aj Finance expenses	Increase (decrease)
	December 31 2010
Reconciling items:	
Reclassify interest to finance expenses (35)	$ 221,091
Finance leases (9)	50,941
Reclassify other income to finance expenses (31)	11,397
Reclassify investment revenue to finance expenses (29)	5,548
Reclassify realized investment losses from other comprehensive loss to finance expenses (25)	5,518
Other	606
	$ 295,101

ak Share of net profit of equity accounted investees	Increase (decrease)
	December 31 2010
Reconciling items:	
Reclassify investment revenue to share of net profit of equity accounted investees (28)	$ 6,744
Equity accounting under IFRS versus proportionate consolidation under GAAP (2)	6,543
Other	3,646
	$ 16,933

al Unrealized gains on available for sale financial assets	Increase (decrease)
	December 31 2010
Reconciling items:	
Reclassify unrealized investment gains from other comprehensive loss to finance income (25)	$ (25,196)
Other	1,486
	$ (23,710)

am Reclassification for realized gains on sale of investments included in operations	Increase (decrease)
	December 31 2010
Reconciling items:	
Reclassify realized investment gains from other comprehensive loss to finance income (25)	$ 17,350
Reclassify realized investment losses from other comprehensive loss to finance expenses (25)	5,518
Other	363
	$ 23,231

Notes to financial statement line item reconciliations

1) Reverse GAAP discontinued operations reclassifications

During 2010, for operations that were determined to be discontinued, GAAP required reclassification of the December 31, 2009 balance sheet to move individual line item balances from continuing operations to discontinued operations. IFRS does not require retroactive reclassification of discontinued operations. Therefore all discontinued operation reclassifications were reversed for IFRS purposes.

2) Equity accounting used under IFRS versus proportionate consolidation under GAAP

Under IFRS, CIC accounts for jointly controlled interests using the equity method. Under GAAP, CIC accounted for these interests using the proportionate consolidation method. As part of the transition, CIC recognized its share of IFRS adjustments recorded by those jointly-controlled interests.

3) Directory advertising revenue

Under GAAP directory advertising revenue was recognized on a monthly basis over the life of the print directory in accordance with the contractual terms with advertisers. Under IFRS, print directory revenues are recognized immediately when each directory is distributed to the public.

4) Saskatchewan Auto Fund constructive obligation

CIC allocates a portion of its post-retirement benefit costs associated with the SGI defined benefit pension plan and defined benefit service recognition plans to the Saskatchewan Auto Fund (the Fund) for those employees providing service to the Fund. IFRS adjustments related to recognition of actuarial gains and losses on these plans (see (19) below) result in corresponding adjustments to reallocate expenses to the Fund. The constructive obligation arises from events and transactions before the date of transition to IFRS and accordingly has been recognized directly in retained earnings.

5) Prepaid publishing expenses

Under GAAP, expenses directly related to directory publications were deferred and amortized over the life of the related directory. Under IFRS, these expenses are recognized immediately when the related directory is distributed to the public.

6) Reclassify long-term assets from discontinued operations to current

Under GAAP, certain assets from discontinued operations were classified as long-term and shown on a separate line item on the statement of financial position. Under IFRS, all assets from discontinued operations are required to be classified as current on the statement of financial position.

7) Revalue cost-based investments

Certain investments formerly carried at cost under GAAP, are required to be carried at fair market value under IFRS.

8) Customer contributions

Under IFRS, customer contributions received from certain customers toward the costs of electricity and natural gas service extensions are initially recorded as deferred revenue and recognized as revenue when the related capital asset is available for use and any obligations to refund monies to customers have expired. Under GAAP, these customer contributions were netted against property, plant and equipment and amortized over the estimated service life of the related asset. Under GAAP, the amortization of these contributions was netted against depreciation expense.

Under IFRS customer contributions received from water and waste-water customers are recognized initially as other liabilities when there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the customer contract. The contributions are then recognized into net earnings on a systematic basis over the life of the related customer contract. If there is no customer contract in place the contributions are recognized into net earnings on a systematic basis over the life of the related assets. Under GAAP, these customer contributions were netted against property, plant and equipment and amortized over the estimated service life of the related asset. Under GAAP, the amortization of these contributions was netted against depreciation expense.

9) Finance leases

Under IFRS, certain take-or-pay power purchase agreements which give CIC the exclusive right to use specific production assets have been determined to meet the definition of a lease. Under GAAP, lease treatment was not required as the contracts were entered into prior to the effective date of the GAAP standard.

Upon transition to IFRS, CIC elected to recognize finance leases for these arrangements on the basis of facts and circumstances existing at the Transition Date.

10) Property fair value adjustments

IFRS 1 provides the option to measure an item of property, plant and equipment at the date of transition at its fair value and use that fair value as its deemed cost at that date. On transition to IFRS, CIC elected to fair value certain land and building assets. Under GAAP, these properties were measured on the cost basis.

11) De-capitalization of indirect overhead

Under GAAP, CIC capitalized certain costs, including general and administrative overhead, which are not eligible to be capitalized under IFRS.

12) Reclassify investment property from property, plant and equipment

Certain assets classified as property, plant and equipment under GAAP meet the definition of investment property under IFRS.

13) Reclassify gas in storage from other assets to property, plant and equipment

Previously, certain natural gas in storage was classified in other assets. Under IFRS, given that this natural gas is a specified volume and integral to the operation of the Corporation's storage facilities it was reclassified to property, plant and equipment and will not be subject to depreciation.

14) Capitalized interest

Under GAAP, CIC capitalized borrowing costs on certain but not all of its qualifying assets. Under IFRS, interest on all qualifying assets is required to be capitalized.

15) Recalculation of decommissioning and environmental remediation provisions

Under IFRS, a decommissioning provision is a legal or constructive obligation associated with retiring and decommissioning a long-lived asset. CIC recognizes these provisions in the year incurred if a reasonable estimate of fair value (net present value) can be determined. Under GAAP, asset retirement obligations were recognized in respect of CIC's legal obligation to decommission its electricity generation and natural gas facilities. On transition to IFRS, these provisions were re-measured based on management's best estimate of future cash flows at the reporting date. Accordingly, CIC discounted the adjustment to the date that the liability first arose on commissioning, and calculated the accumulated depreciation on that amount based on current depreciation rates.

Under IFRS, a provision for environmental remediation liabilities is accrued when the occurrence of an environmental expenditure, related to present or past activities is considered probable and the costs of remedial activities can be reasonably estimated. Under GAAP, CIC recognized environmental remediation provisions based on management's best estimate considering current environmental laws and regulations.

Upon transition to IFRS, these environmental remediation provisions were re-measured at discounted amounts.

16) Capital reconstruction charge

Under GAAP, capital reconstruction charges received from certain customers towards the cost of constructing electrical facilities were netted against property, plant and equipment and amortized over the estimated service life of the related asset. Under IFRS, unamortized capital reconstruction charge balances no longer meet the requirements for deferral resulting in an immediate increase to retained earnings.

17) Reclassify government grants to other liabilities

Under GAAP, capital grants received from government entities outside of the consolidated group were netted against property, plant and equipment. IFRS does not allow netting of capital grants resulting in a reclassification of remaining balances to deferred revenue and other liabilities.

18) Reclassify goodwill from other assets to intangible assets

Under GAAP, goodwill was classified as part of other assets. Under IFRS, goodwill is defined as an intangible asset resulting in the reclassification of outstanding goodwill balances.

19) Employee future benefits

Under IFRS, CIC's accounting policy is to recognize all actuarial gains and losses arising from employee future benefit plans directly in other comprehensive income in the year of occurrence. Under GAAP, CIC recognized actuarial gains and losses in earnings over the average remaining service life of the employees in the plan (the corridor approach). At the date of transition, all previously unrecognized cumulative actuarial gains and losses for all employee future benefit plans were recognized in retained earnings. The employee future benefit expense on the consolidated statement of comprehensive income has been calculated based on the actuarial valuations obtained at each year end.

20) Reclassify employee future benefits

Under GAAP, employee future benefits were included on various financial statement line items including other assets, trade and other payables, and other liabilities. Under IFRS, all employee future benefits are reclassified to a separate employee future benefit line item.

21) Reclassify unpaid insurance claims to provisions

Under GAAP, unpaid insurance claims were included in deferred revenue and other liabilities. Under IFRS, unpaid insurance claims meet the definition of a provision and therefore have been reclassified to the provisions line item.

22) Reclassify decommissioning and environmental remediation liabilities to provisions

Under GAAP, decommissioning obligations and environmental remediation liabilities were included in other liabilities. Under IFRS, decommissioning obligations, and environmental remediation liabilities meet the definition of a provision and therefore have been reclassified to the provisions line item.

23) Recalculation of unpaid insurance claims

Under GAAP, liabilities for unpaid insurance claims were recorded at undiscounted values. IFRS requires these claims to be recorded at discounted values.

24) Reclassify actuarial losses from accumulated other comprehensive income to retained earnings

As explained in (19) above, actuarial losses on employee future benefit plans are initially recorded in other comprehensive income in the year of occurrence and subsequently reclassified to retained earnings.

25) Reclassify realized and unrealized investment gains and losses

Under GAAP, unrealized gains and losses on available-for-sale investments were included in accumulated other comprehensive income (loss) (AOCI) until realized. Under IFRS, unrealized gains and losses on available-for-sale investments are immediately recorded in net earnings, resulting in the reclassification of current year realized and unrealized gains and losses from other comprehensive loss to finance income or finance expenses and remaining cumulative gains and losses from AOCI to retained earnings.

26) Reclassify revenue collected for municipalities

Under GAAP, revenue collected for municipalities was classified as part of sales of products and services. Under IFRS, this revenue is netted against Saskatchewan taxes and fees expense.

27) Reclassify investment revenue to finance income

Certain investment revenue under GAAP has been reclassified to the finance income line item on the consolidated statement of comprehensive income under IFRS.

28) Reclassify investment revenue to share of net profit of equity accounted investees

Earnings from equity accounted investments was classified as investment revenue under GAAP but is reclassified to a separate line item on the statement of comprehensive income under IFRS.

29) Reclassify investment revenue to finance expenses

Certain expenses that were netted against investment revenue under GAAP have been reclassified to the finance expense line item on the consolidated statement of comprehensive income under IFRS.

30) Reclassify other income to finance income

Certain amounts classified as other income under GAAP have been reclassified to the finance income line item on the consolidated statement of comprehensive income under IFRS.

31) Reclassify other income to finance expenses

Certain expenses that were netted against other income under GAAP have been reclassified to the finance expense line item on the consolidated statement of comprehensive income under IFRS.

32) Reclassify salaries, wages and short-term employee benefits

Under GAAP, salaries, wages and short-term employee benefits were included within operating costs on the consolidated statement of comprehensive income. Under IFRS, salaries, wages and short-term employee benefits are presented on a separate line item on the consolidated statement of comprehensive income.

33) Reclassify employee future benefits

Under GAAP, employee benefits were included within operating costs on the consolidated statement of comprehensive income. Under IFRS, employee benefits are presented on a separate line item on the consolidated statement of comprehensive income.

34) Reclassify operating costs to research and development

Certain expenses included in operating costs under GAAP have been reclassified to the research and development line item on the consolidated statement of comprehensive income under IFRS.

35) Reclassify interest to finance expenses

Under GAAP, interest expense was presented as a separate line item on the consolidated statement of comprehensive income. Under IFRS, interest expense is included in finance expenses.

36) Reclassify losses on sale of property, plant and equipment

Losses on sale of property, plant and equipment which were netted against depreciation expense under GAAP have been reclassified to a separate line item on the consolidated statement of comprehensive income under IFRS.

37) Reclassify property, plant and equipment to intangible assets

Certain expenditures included in plant under construction under GAAP met the definition of research and development costs under IFRS and were reclassified to intangible assets.

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ANALYSIS OF FINANCIAL RESULTS

CIC's separate financial statements are used to determine CIC's capacity to pay dividends to the Province's GRF. These separate financial statements isolate the Corporation's cash-flow, and capital and operating support for certain subsidiary Crown corporations. Inclusion of these financial statements in the Annual Report of CIC enhances accountability and the transparency of CIC's operations.

This narrative on CIC's separate 2011 financial results should be read in conjunction with the audited separate financial statements. For the purposes of this narrative on CIC's separate financial results, "CIC" refers to the holding company.

COMPARISON OF 2011 RESULTS WITH 2010 RESULTS

Earnings

The following table presents a five year comparison of CIC's financial results:

	2011	2010	2009[1]	2008[1]	2007[1]
Dividend revenue from Crown corporations	$ 213.9	$ 276.1	$ 258.1	$ 773.4	$ 221.1
Add: Finance and other revenue	5.1	4.9	12.7	26.4	399.9
Grant funding from GRF	100.3	109.9	27.8	2.1	-
Less: Operating, salaries and other administrative expenses	(15.7)	(14.2)	(18.6)	(22.1)	(15.2)
Grants to subsidiary corporations	(136.5)	(140.7)	(103.3)	(30.5)	(28.9)
Total Separate Net Earnings	**$ 167.1**	$ 236.0	$ 176.7	$ 749.3	$ 576.9

[1] Amounts for 2009, 2008 and 2007 were prepared under former Canadian Generally Accepted Accounting Principles.

Net earnings for 2011 were $167.1 million (2010 - $236.0 million), a decrease of $68.9 million from 2010. The decrease in net earnings is primarily a result of a decrease in dividend revenue of $62.2 million, a decrease in grant funding from the GRF of $9.6 million and an increase in operating and other administrative expenses of $1.5 million. The decreases in earnings were offset by a decrease in grant funding to subsidiary corporations of $4.2 million and an increase in finance and other revenue of $0.2 million.

Dividend Revenue

CIC's revenue is comprised of dividends from subsidiary Crown corporations and revenue from investments. Dividends from subsidiary Crown corporations are the primary determinant in CIC's ability to pay regular dividends to the GRF.

Revenues are influenced by weather as follows:

- Demand for electricity and natural gas increases during cold weather, impacting earnings at SaskPower and SaskEnergy;
- Accident and other insurance claims at SGI are impacted by winter driving conditions and the summer storm season; and
- Water run-off levels impact SaskPower's capacity to generate hydro-electricity at a much lower cost compared to natural gas and coal generation.

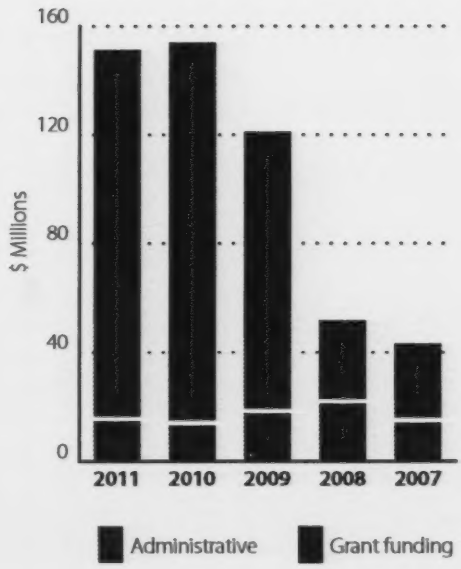
Dividend revenue in 2011 decreased $62.2 million to $213.9 million. A five year history on revenue by contribution source is as follows:

	2011	2010	2009	2008	2007
Dividend revenue					
SaskPower	$ -	$ -	$ -	$ 46.0	$ 97.0
SaskTel	**138.6**	139.7	103.2	78.9	30.0
SaskEnergy	**39.1**	48.8	51.3	42.9	53.0
SGI	-	43.5	34.0	26.2	22.8
CIC AMI	-	-	34.0	543.0	10.3
ISC	**15.5**	14.0	13.6	21.1	8.0
SGC	**20.7**	19.4	20.3	15.3	-
SOCO	-	9.0	-	-	-
SDFC	-	1.7	-	-	-
SGGF MC	-	-	1.7	-	-
Total Dividend Revenue	**$ 213.9**	$ 276.1	$ 258.1	$ 773.4	$ 221.1

- SaskPower's dividend was suspended in 2009 to 2011 in order to support SaskPower's significant capital program. The suspension reflects the need for SaskPower to retain capital in order to maintain a prudent debt to equity ratio.
- SaskTel's dividend of $138.6 million decreased by $1.1 million from its 2010 dividend of $139.7 million. 2011's dividend represents 90.0 per cent of 2011 net earnings as determined under IFRS. The 2010 dividend represented 90.0 per cent of earnings as determined under former Canadian GAAP.
- SaskEnergy's 2011 dividend of $39.1 million decreased $9.7 million from $48.8 million in 2010. The reduction is due mainly to a reduction in SaskEnergy's target dividend from 90.0 per cent to 50.0 per cent.
- SGI did not pay a dividend in 2011. Net earnings of $0.4 million were significantly lower than the $49.3 million profit posted in 2010. The decreased earnings were reflective of Saskatchewan operations experiencing significant summer storm claims, and each out-of-province jurisdiction experienced a high number of large property losses. SGI's investment portfolio also experienced an unsettled investment market climate in 2011.
- ISC's 2011 dividend of $15.5 million increased $1.5 million from $14.0 million in 2010. The increase was due primarily to ISC adding corporate registry services to its list of services it provides to the people of Saskatchewan.
- SGC's 2011 dividend of $20.7 million increased $1.3 million from $19.4 million in 2010. The increase in dividend is due mainly to a labour disruption in the summer of 2010 that resulted in reduced operating hours, reduced services and a decline in guest counts.
- SOCO did not pay a dividend in 2011. SOCO's 2010 dividend of $9.0 million represented a distribution of excess capital held by the Corporation.
- SDFC's 2010 dividend reflected a final distribution of SDFC's remaining assets from the wind-up of its operations.

Operating, Salaries and Benefits and Grants to Subsidiary Corporations

CIC's expenses are divided into two main categories: administrative and grants to subsidiary corporations. The adjacent chart shows CIC's expenses by category. Total expenses in 2011 of $152.2 million were $2.7 million lower than the 2010 total of $154.9 million.



Operating, Salaries and Benefits and Other Administrative Expenses

Operating, salaries and benefits and other administrative expenses increased by $1.5 million during 2011 to $15.7 million. The increase is due to a $2.0 million impairment loss recorded on amounts due from First Nations and Métis Fund Inc. (FNMF). FNMF experienced losses on its investment portfolio which have been reflected in CIC's valuation of the Corporation. Offsetting the increase due to the impairment losses are decreases in salaries and benefits and operating costs.

Grants to Subsidiary Corporations

CIC's grant funding to subsidiary corporations of $136.5 million ($2010 - $140.7 million) decreased by $4.2 million over 2010. CIC's grant funding is as follows:

- SaskPower received $100.2 million ($2010 - $109.9 million) for carbon capture and storage initiatives. CIC provided SaskPower's grant out of $100.2 million of grant funding from the GRF.
- CIC provided SaskEnergy with $12.2 million ($2010 - $18.2 million) as part of the Saskatchewan Energy Share program.
- CIC grant funding to STC of $10.7 million increased from $9.3 million in 2010. Funding for 2011 was comprised of $8.7 million ($2010 - $8.4 million) for operations and $2.0 million ($2010 - $0.9 million) to meet capital requirements.
- CIC provided $10.0 million in grants to SaskTel ($2010 - $Nil) to fund the Saskatchewan Rural Infrastructure Program and $Nil ($2010 - $3.3 million) to fund FleetNet, a provincial emergency communications network.
- CIC provided $3.0 million ($2010 - $Nil) in grants to SGI in support of Saskatchewan's hybrid vehicle rebate program administered by the Saskatchewan Auto Fund.
- Gradworks Inc. received $0.4 million in grants in 2011 ($2010 - $Nil) to fund its internship program.

Operating, Investing and Financing Activities

	2011	2010
Cash Flow Highlights		
Cash from operations	$ 150.2	$ 264.7
Cash provided by investing activities	62.6	501.0
Cash used in financing activities	(228.7)	(700.9)
Change in Cash	$ (15.9)	$ 64.8

Cash from operations in 2011 of $150.2 million decreased from 2010 by $114.5 million. The decrease was due mainly to lower dividend revenue collected during 2011 as compared with 2010, combined with a decrease in non-cash working capital balances related to operations.

In 2011, investing activities provided $62.6 million in cash compared to $501.0 million in 2010, a decrease of $438.4 million. Cash from investing activities decreased mainly due to CIC increasing cash held in short-term investments, and CIC receiving $100.0 million from CIC AMI in 2010 due to a share retraction.

Cash used in financing activities was $228.7 million as compared to $700.9 million in 2010. In 2011, CIC declared and paid a regular dividend to the GRF of $110.0 million, a special dividend for green initiatives of $10.0 million and an $8.5 million dividend for the Innovation Agenda for a total of $128.5 million to the GRF. In 2010, CIC paid a dividend to the GRF of $471.0 million, which included $195.0 million for the Children's Hospital in Saskatoon and repaid $120.0 million in equity to the GRF.

PUBLIC POLICY INITIATIVES

CIC Economic Holdco Ltd. (Saskatchewan Entrepreneurial Fund Joint Venture)

CIC Economic Holdco Ltd. was established in November 2005 in order to hold a joint venture interest in Saskatchewan Entrepreneurial Fund Joint Venture (SEFJV). SEFJV operates as an institutional investment fund focusing on investment in the Province of Saskatchewan and the creation of employment and economic growth and expansion of the small business sector. To December 31, 2011, CIC had invested $3.4 million.

The CIC Board has discontinued further capital contributions to SEFJV.

First Nations and Métis Fund Inc.

First Nations and Métis Fund Inc. was established in May 2006 to provide venture capital to qualifying First Nations and Métis businesses in the Province of Saskatchewan. CIC has committed to invest up to $20.0 million. To December 31, 2011, CIC had invested $6.1 million. In 2011, FNMF became responsible for the Government of Saskatchewan's First Nations Business Development Program (SFNDP). SFNDP can invest up to $3.0 million in qualifying First Nations businesses.

CIC Apex Equity Holdco Ltd. (Apex Investment Limited Partnership)

CIC Apex Equity Holdco Ltd. was established in February 2007 to hold a joint venture interest in Apex Investment Limited Partnership (Apex). Apex focuses on debt and equity investments in the Province of Saskatchewan's small and medium sized business sector. CIC is committed to invest up to $52.1 million in Apex. To December 31, 2011 CIC had invested $27.7 million and currently has $14.8 million outstanding.

Saskatchewan Immigrant Investor Fund Inc.

Saskatchewan Immigrant Investor Fund Inc. was established on October 6, 2010 under *The Business Corporations Act (Saskatchewan)*. The Corporation was established to participate in the Government of Canada's Immigrant Investor Program (IIP). The Corporation intends to use IIP funds to deliver the Government of Saskatchewan's Headstart on a Home program that assists builders and developers in building affordable housing in Saskatchewan.

Gradworks Inc. (Gradworks)

The Gradworks internship program was formally launched in February 2005 after operating on a trial basis in 2004. Gradworks provides recent post-secondary graduates with internships in CIC Crown corporations, providing the graduates job opportunities and valuable work experience that may lead to permanent jobs in the Crowns, or with other Saskatchewan employers. In 2011, CIC provided grant funding of $0.4 million (2010 - $Nil) to Gradworks.

COMPARISON OF 2011 RESULTS WITH BUDGET

	2011 Dividend Revenue Budget	Actual	Budgeted Dividend (%) of Earnings
Dividends to CIC			
SaskPower	$ -	$ -	N/A
SaskTel	144.9	138.6	90%
SaskEnergy[1]	47.7	39.1	50%
SGI	32.4	-	75%
ISC	11.0	15.5	90%
SGC	20.4	20.7	80%
SOCO	-	-	
SDFC	-	-	
Total Dividend Revenue	256.4	213.9	
Grant Funding	(150.5)	(136.5)	
Other Income Net of Expenses	62.5	89.7	
Separate Net Earnings	$ 168.4	$ 167.1	
Dividend to the GRF	$ 128.5	$ 128.5	

[1] Dividends for SaskEnergy are based on earnings from operations before the impacts of fair value adjustments (referred to as adjusted net income).

Earnings

The preceding table shows CIC's separate earnings for 2011. Separate earnings for 2011 of $167.1 million were $1.3 million below budget. Dividend revenue was $42.5 million below budget; however, reduced expenditures both for grant funding and program funding brought CIC's actual net earnings to an amount that was essentially on budget.

Dividend Revenue

Dividend revenue is directly proportionate to Crown earnings. The following outlines variances in dividends from Crown corporations:

- SaskPower dividends have been suspended to support SaskPower's significant capital program;
- SaskTel dividends were below budget due to operating revenues being lower than budget due to lower than anticipated revenue per customer in *Max™* Entertainment services and lower than anticipated sales of customer premise equipment, and usage of internet, wireless, data, consulting and directory services;
- SaskEnergy dividends were below budget due to operating and maintenance expenses exceeding budget due to increased safety and integrity work;
- SGI dividends were lower than budget due to lower than planned investment returns and higher than expected claims costs primarily due to significant storm activity in Saskatchewan and a high number of large property losses outside Saskatchewan;
- ISC dividends were above budget primarily due to higher than expected volumes and average prices from the Corporation's land registry services; and
- SGC dividends were essentially on budget.

Grant Funding

CIC's grant funding to subsidiary Crown corporations was below budget by $14.0 million. This is primarily due to lower than budgeted grants to SaskEnergy in support of the EnerGuide for Houses program. The decrease was offset by $3.0 million in grants to SGI in support of Saskatchewan's hybrid vehicle rebate program administered by the Saskatchewan Auto Fund.

Dividend to the GRF

In 2011, CIC declared and paid a dividend to the GRF of $128.5 million (2010 - $471.0 million). CIC's dividend included the budgeted dividend of $110.0 million plus a special dividend of $10.0 million to support green initiatives and $8.5 million for the Innovation Agenda.

KEY FACTORS AFFECTING FINANCIAL PERFORMANCE

Earnings of Crown Corporations

- The key factor affecting CIC's earnings is the level of dividends from commercial subsidiary Crown corporations.
- Factors affecting the level of dividends from subsidiary Crowns include the level of profits and the application of CIC's Subsidiary Dividend Policy. The CIC Board determines dividends from a subsidiary after allocating cash for reinvestment into the Crown debt reduction, if necessary and considers financial sustainability of the subsidiary Crown.

Investment Values

- CIC regularly assesses the appropriateness of the carrying value for its investments, and writes down an investment if it judges the investment to have other than a temporary decline in carrying value.

LOOKING AHEAD TO 2012

CIC's key financial initiatives for 2012 include:

- Continue to improve Saskatchewan's infrastructure to meet the needs of both residents and commercial operations;
- Continue support for public expenditures including:
  - Funding STC bus routes;
  - Supporting SaskEnergy's Saskatchewan Energy Share Program (EnerGuide for Houses);
  - Funding youth initiatives such as Gradworks; and
  - Providing capital to fund specified economic initiatives.
- Continue to provide a return to the shareholder;
- Participate in the Government of Canada's Immigrant Investor Program by establishing and delivering the Government of Saskatchewan's Headstart on a Home program that assists builders and developers in building affordable housing in Saskatchewan;
- Enhance accountability through the adoption of a sector wide Enterprise Risk Management framework; and
- Continue to monitor new developments in financial reporting and governance, ensuring that CIC is a leader in its reporting and accountability practices.

CROWN CORPORATIONS 2012 BUDGET

	Earnings	Dividend	Dividend (%) of Crown Earnings
SaskPower	$ 156.7	$ 120.0	77%
SaskTel	91.1	59.2	65%
SaskEnergy	65.4	25.0	38%
SGI	33.7	6.9	20%
CIC AMI	(1.6)	70.0	N/A
ISC	13.9	12.5	90%
SaskWater	1.6	-	
STC	(0.4)	-	
SOCO	4.0	2.6	65%
SGC	26.0	20.8	80%
SIIF	(0.6)	-	
CIC (separate), Other, Adjustments	(43.6)	-	
Consolidated Earnings	**$ 346.2**	**$ 317.0**	
Dividend to the GRF	**$ 273.0**		

Separate Financial Statements

RESPONSIBILITY FOR SEPARATE FINANCIAL STATEMENTS

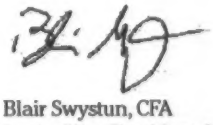
The accompanying separate financial statements have been prepared by management of Crown Investments Corporation of Saskatchewan to illustrate the financial position and results of operations and cash flows of the corporate entity only. They have been prepared, without consolidation, in accordance with the basis of accounting described in Note 2 to the financial statements, and consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the separate financial statements, the notes to the separate financial statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the separate financial statements. The Board of Directors is responsible for reviewing the annual separate financial statements and meeting with management, KPMG LLP and the Provincial Auditor for Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the separate financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor for Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG LLP has audited the separate financial statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the separate financial statements, appears opposite.

R.W. (Dick) Carter, FCA
President & CEO



Blair Swystun, CFA
Senior Vice-President & CFO

March 29, 2012

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying separate financial statements of **Crown Investments Corporation of Saskatchewan**, which comprise the separate statement of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the separate statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information. These separate financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan.

Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Crown Investments Corporation of Saskatchewan as at December 31, 2011, December 31, 2010 and January 1, 2010 and its separate financial performance and its separate cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with the basis of accounting described in Note 2 to the separate financial statements.

Basis of Accounting and Restriction on Use

Without modifying our opinions, we draw attention to Note 2 to the separate financial statements which describes the basis of accounting. The separate financial statements are prepared for the purpose of tabling with the Legislative Assembly of Saskatchewan. As a result, the separate financial statements may not be suitable for another purpose. Our reports are intended solely for the Legislative Assembly of Saskatchewan and Crown Investments Corporation of Saskatchewan and should not be used by parties other than the Legislative Assembly of Saskatchewan and Crown Investments Corporation of Saskatchewan.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

March 29, 2012

SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT

	Note	December 31 2011	December 31 2010	January 1 2010
ASSETS				
Current				
Cash and cash equivalents	5	**$ 144,877**	$ 160,811	$ 96,009
Short-term investments	6	**203,719**	154,698	451,829
Interest and accounts receivable		**2,168**	2,845	3,111
Dividends receivable		**65,171**	60,785	85,697
Restricted cash and cash equivalents	7	**-**	110,505	67,132
		415,935	489,644	703,778
Restricted cash and cash equivalents	7	**-**	-	146,693
Equity advances to Crown corporations	8	**1,203,723**	1,090,036	1,082,736
Investments in share capital corporations	9	**102,346**	95,208	198,446
Equipment	10	**422**	434	543
Intangible assets	11	**486**	512	276
		$ 1,722,912	$ 1,675,834	$ 2,132,472
LIABILITIES AND PROVINCE'S EQUITY				
Current				
Interest and accounts payable		**$ 2,682**	$ 14,627	$ 6,341
Deferred funding	7	**-**	100,240	63,448
		2,682	114,867	69,789
Deferred funding	7	**-**	-	146,693
		2,682	114,867	216,482
Province of Saskatchewan's Equity				
Equity advances	12	**1,051,839**	931,152	1,051,152
Retained earnings		**668,391**	629,815	864,838
		1,720,230	1,560,967	1,915,990
		$ 1,722,912	$ 1,675,834	$ 2,132,472
Commitments and contingencies (See accompanying notes)	13			

On behalf of the Board:

Director

Director

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31

	Note	2011	2010
INCOME FROM OPERATIONS			
Dividend revenue	14	$ 213,931	$ 276,090
Other income		127	4
		214,058	276,094
EXPENSES			
Operating		6,210	6,302
Salaries and benefits		6,746	7,169
Future employee benefit expense		545	518
Impairment loss		2,000	-
Depreciation and amortization		165	164
		15,666	14,153
EARNINGS FROM OPERATIONS		198,392	261,941
Finance income	15	4,968	4,891
Finance expenses	15	(9)	(9)
NET FINANCE INCOME		4,959	4,882
EARNINGS BEFORE PUBLIC POLICY INITIATIVES		203,351	266,823
Deferred grant funding earned	7	100,240	109,901
Grants to subsidiary corporations	16	(136,515)	(140,747)
NET EARNINGS ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN		167,076	235,977
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN		$ 167,076	$ 235,977

(See accompanying notes)

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31

	Note	2011	2010
RETAINED EARNINGS			
Retained earnings, beginning of year		$ 629,815	$ 864,838
Total comprehensive income		167,076	235,977
Dividend to General Revenue Fund	12	(128,500)	(471,000)
Retained earnings, end of year		668,391	629,815
EQUITY ADVANCES			
Equity advances, beginning of year		931,152	1,051,152
Equity advances received	12	120,687	-
Equity advances repaid	12	-	(120,000)
Equity advances, end of year		1,051,839	931,152
EQUITY ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN		$ 1,720,230	$ 1,560,967

(See accompanying notes)

SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

	Note	2011	2010
OPERATING ACTIVITIES			
Net earnings		$ 167,076	$ 235,977
Items not affecting cash from operations:			
Amortization of discounts and premiums		1,563	-
Depreciation and amortization		165	164
Impairment loss		2,000	-
Net finance income		(4,959)	(4,882)
		165,845	231,259
Net change in non-cash working capital balances related to operations	17	(15,654)	33,464
Interest paid		(9)	(9)
Net cash from operating activities		150,182	264,714
INVESTING ACTIVITIES			
Interest received		4,968	4,891
Purchase of investments		(11,100)	(3,375)
(Increase) decrease in short-term investments		(50,584)	298,936
Decrease in restricted cash and cash equivalents		110,505	103,320
Proceeds from the retraction of CIC Asset Management Inc. shares		-	100,000
Transfer of assets from Saskatchewan Development Fund Corporation		-	(1,805)
Equity advances to Saskatchewan Water Corporation		-	(8,000)
Proceeds from retraction of equity advances	8(b)	7,000	700
Purchase of equipment and intangible assets		(127)	(291)
Repayment of due from CIC Economic Holdco Ltd.		590	206
Repayment of due from APEX Equity Holdco Ltd.		1,372	5,407
Repayment of due from First Nations & Métis Fund Inc.		-	1,000
Net cash from investing activities		62,624	500,989
FINANCING ACTIVITIES			
Decrease in deferred funding	7	(100,240)	(109,901)
Repayment of equity advances	12	-	(120,000)
Dividend paid	12	(128,500)	(471,000)
Net cash used in financing activities		(228,740)	(700,901)
NET CHANGE IN CASH AND CASH EQUIVALENTS, DURING YEAR		(15,934)	64,802
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		160,811	96,009
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 144,877	$ 160,811

(See accompanying notes)

Notes to Separate Financial Statements

1. General information

Crown Investments Corporation of Saskatchewan (CIC) is a corporation domiciled in Canada. The address of the CIC's registered office and principal place of business is 400 - 2400 College Avenue, Regina, SK, S4P 1C8. CIC was established to act as a holding corporation for the province's commercial Crown sector. CIC develops broad corporate policy, directs investments for its subsidiaries and provides dividends to the province's General Revenue Fund (GRF). A list of CIC's subsidiaries is contained in Note 3.

2. Basis of preparation

a) Statement of compliance

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These are CIC's first separate financial statements prepared in accordance with IFRS and IFRS 1 - *First-time Adoption of International Financial Reporting Standards* has been applied.

CIC's separate financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) except that they were reported on a non-consolidated basis using the cost method of accounting for investments in subsidiaries.

An explanation of how the transition from GAAP to IFRS has affected the reported financial position, financial performance and cash flows of CIC is provided in Note 21.

The separate financial statements were authorized for issue by the Board of Directors on March 29, 2012.

b) Basis of measurement

The separate financial statements have been prepared on the historical cost basis except for the following:

- Financial assets at fair value through profit or loss.

c) Functional and presentation currency

These separate financial statements are presented in Canadian Dollars, which is CIC's functional currency.

d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Significant items subject to estimates and assumptions include the carrying amounts of intangible assets Note 11 and investments Notes 8 and 9.

3. Status of Crown Investments Corporation of Saskatchewan

The Government Finance Office was established by Order in Council 535/47 dated April 2, 1947, and was continued under the provision of *The Crown Corporations Act, 1993* (the Act), as CIC. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is not subject to federal and provincial income taxes.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following wholly-owned Crown corporations have been designated or created by Order in Council:

- Information Services Corporation of Saskatchewan
- SaskEnergy Incorporated
- Saskatchewan Development Fund Corporation
- Saskatchewan Gaming Corporation
- Saskatchewan Government Insurance
- Saskatchewan Opportunities Corporation
- Saskatchewan Power Corporation
- Saskatchewan Telecommunications
- Saskatchewan Telecommunications Holding Corporation
- Saskatchewan Transportation Company
- Saskatchewan Water Corporation

In addition to the above Crown corporations, CIC is the sole member of Gradworks Inc., a non-profit corporation and the sole shareholder of CIC Asset Management Inc. (CIC AMI), First Nations and Métis Fund Inc. (FNMF), Saskatchewan Immigrant Investor Fund Inc. (SIIF), CIC Economic Holdco Ltd., and CIC Apex Equity Holdco Ltd. which are wholly-owned share capital subsidiaries.

All subsidiary Corporations are domiciled in Canada.

4. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these separate financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

CIC's separate financial statements do not consolidate the activities of its subsidiaries. Other than this exception, the accounting policies have been consistently applied by CIC's subsidiary corporations.

CIC prepares audited consolidated financial statements in accordance with IAS 27 - *Consolidated and Separate Financial Statements*. The audited consolidated financial statements have been authorized by the CIC Board of Directors on March 29, 2012. CIC's audited consolidated financial statements should be referenced for further information.

a) Cash and cash equivalents

Cash and cash equivalents includes the cash held within CIC's bank accounts and investments which mature within 90 days of year end.

b) Equity advances to Crown corporations

Crown corporations do not have share capital. However, seven Crown corporations have received equity advances from CIC to form their equity capitalization. The equity advances are accounted for at cost, dividends from these corporations are recognized as income when declared.

c) Investments in share capital corporations

Investments in shares of corporations are accounted for at cost. Dividends from these investments are recognized as income when declared.

d) Impairment of equity in Crown corporations and share capital corporations

Investments in Crown corporations and share capital corporations are assessed at each reporting date to determine whether there is objective evidence that the investment is impaired. An investment is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the investment, and that the loss event had a negative effect on the estimated future cash flows of that investment that can be estimated reliably. An impairment loss is recognized through earnings if the carrying amount of the investment exceeds its recoverable amount.

If, in a subsequent year, the fair value of an impaired investment increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in earnings, then the impairment loss is reversed, with the amount of the reversal recognized through earnings.

e) Equipment

Equipment is recorded at cost less accumulated depreciation and any accumulated impairment losses. When these assets are disposed of or retired, the related costs less accumulated depreciation and any accumulated impairment losses are eliminated from the accounts. Any resulting gains or losses are reflected in the separate statement of comprehensive income.

Equipment is depreciated using the following methods:

Computer equipment	– 3 years straight-line
Furniture and equipment	– 20% declining balance

f) Intangible assets

Carbon offsets are recorded at the cost of acquisition less accumulated amortization and any accumulated impairment losses. When these assets are disposed of or retired, the related costs less accumulated amortization and any accumulated impairment losses are eliminated from the accounts. Any resulting gains or losses are reflected in the separate statement of comprehensive income.

Amortization is calculated on a straight-line basis over 20 years.

g) Financial instruments

i) Non-derivative financial assets

CIC initially recognizes loans and receivables and deposits at fair value on the date that they are originated. All other financial assets, including assets designated at fair value though profit or loss, are recognized initially at fair value on the trade date at which CIC becomes a party to the contractual provisions of the instrument.

CIC de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by CIC is recognized as a separate financial asset or liability.

CIC does not net financial assets or liabilities for presentation in the separate statement of financial position.

CIC non-derivative financial assets include financial assets at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if CIC manages such investments and makes purchase and sale decisions based on their fair value in accordance with CIC's documented risk strategy. Upon initial recognition transaction costs attributable are recognized in profit or loss as incurred. Short-term investments at fair value through profit or loss are measured at fair value, and changes therein are recognized through net earnings.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables are comprised of interest and accounts receivable and dividends receivable.

Cash and cash equivalents are comprised of cash balances and call deposits with original maturities of three months or less.

ii) Non-derivative financial liabilities

CIC initially recognizes financial liabilities on the date they are originated. All other financial liabilities, including liabilities designated at fair value through profit or loss, are recognized initially on the trade date at which CIC becomes a party to the contractual provisions of the instrument.

CIC de-recognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

CIC does not net financial assets or liabilities for presentation in the separate statement of financial position.

CIC's non-derivative financial liabilities include interest and accounts payable.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

iii) Embedded derivatives

Derivatives may be embedded in other host instruments and are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative, and the combined contract is not held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in net earnings.

CIC had no contracts with embedded derivatives as at January 1, 2010, December 31, 2010 and December 31, 2011.

h) Equity advances

CIC periodically receives funding from the Government of Saskatchewan through the GRF. Funding can be provided for one of two purposes, the funding of government policy initiatives for which no return is expected or required, or for long-term investment which is expected to provide a return to the GRF. Funding provided for government policy initiatives is recorded as revenue in the year spending occurs (Note 7). Funding provided for long-term investment is recorded as an equity advance (Note 12).

i) Revenue recognition

CIC's revenue is derived from the ownership of its subsidiary corporations. Dividend revenue from subsidiary corporations is recorded as income in the separate statement of comprehensive income when declared. Dividends received are classified as operating activities in accordance with IAS 7 - *Statement of Cash Flows*.

j) Government grants

Government grants are recognized initially as deferred funding when there is reasonable assurance that they will be received and CIC will comply with the conditions associated with the grant. Grants that compensate CIC for expenses incurred are recognized in the separate statement of comprehensive income on a systematic basis in the same year in which the expenses are recognized.

k) Finance income and expenses

Finance income is comprised of interest income, gains on disposal and changes in fair value of financial assets at fair value through profit and loss. Interest income is recognized as it accrues in the separate statement of comprehensive income, using the effective interest method. On the separate statement of cash flows interest income is recorded as an investing activity.

Financial expenses are comprised of interest on bank overdrafts, changes in the fair value of financial assets at fair value through profit and loss, and impairment losses recognized on financial assets. On the separate statement of cash flows interest expense is recorded as an operating activity.

l) Employee benefits

Defined contribution plan

CIC is a member of Capital Pension Plan (CPP), a defined contribution pension plan. A defined contribution plan is a post-employment benefit under which CIC pays fixed contributions to CPP and has no further legal or constructive obligation to pay further amounts. Obligations for contributions to CPP are recognized as a future employee benefit expense in the separate statement of comprehensive income in the years during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

m) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these separate financial statements. In particular, the following new and amended standards which become effective for annual periods beginning on or after January 1, 2013:

- IFRS 4, *Insurance contracts*
- IFRS 9, *Financial Instruments*
- IFRS 10, *Consolidated Financial Statements*
- IFRS 11, *Joint Arrangements*
- IFRS 12, *Disclosure of Interests in Other Entities*
- IFRS 13, *Fair Value Measurement*
- IAS 1, *Presentation of Financial Statements*
- IAS 19, *Employee Benefits*
- IAS 27, *Separate Financial Statements*
- IAS 28, *Investments in Associates and Joint Ventures*

The extent of the impact on adoption of these standards is not known at this time.

5. Cash and cash equivalents

Included in cash and cash equivalents are $121.9 million (December 31, 2010 - $148.6 million) of investments maturing within 90 days with an effective interest rate of 1.31 per cent (December 31, 2010 - 1.04 per cent).

6. Short-term investments

Included in short-term investments are $203.5 million (December 31, 2010 - $152.9 million) of investments maturing between 91 and 365 days with an effective interest rate of 1.18 per cent (December 31, 2010 - 1.21 per cent). Also included in short-term investments are $0.2 million (December 31, 2010 - $1.8 million) in zero coupon bonds with maturity dates ranging from June 1, 2012 to June 1, 2013. The zero coupon bonds can be sold, at fair value, at the option of CIC.

7. Restricted cash and cash equivalents and deferred funding

Included in restricted cash and cash equivalents are $Nil (December 31, 2010 - $95.6 million) of investments with an effective interest rate of Nil per cent (December 31, 2010 - 1.06 per cent).

Restricted cash and cash equivalents and deferred funding are comprised of unspent funding transferred to CIC from the GRF restricted for carbon capture and storage initiatives undertaken by Saskatchewan Power Corporation (SaskPower). As qualifying expenditures are made, CIC recognizes an equivalent amount of funding in earnings and reduces restricted cash and cash equivalents and deferred funding by the same amount.

During 2011, $100.2 million (2010 - $109.9 million) has been funded to SaskPower under this program as follows:

	2011	2010
Deferred funding:		
Current deferred funding, beginning of year	$ 100,240	$ 63,448
Long-term deferred funding, beginning of year	-	146,693
Grant funding earned and grant to SaskPower	(100,240)	(109,901)
Deferred funding, end of year	$ -	$ 100,240
Comprised of:		
Current deferred funding, end of year	$ -	$ 100,240
Long-term deferred funding, end of year	-	-
	$ -	$ 100,240
Restricted cash and cash equivalents:		
Current restricted cash and cash equivalents	$ -	$ 110,505
Long-term restricted cash and cash equivalents	-	-
Payable to SaskPower (a)	-	(10,265)
Deferred funding, end of year	$ -	$ 100,240

(a) Amounts payable to SaskPower are included in interest and accounts payable.

8. Equity advances to Crown corporations

Equity advances to Crown corporations are as follows:

	2011	2010
Saskatchewan Power Corporation	$ 660,000	$ 660,000
Saskatchewan Telecommunications Holding Corporation	250,000	250,000
Saskatchewan Opportunities Corporation (a)	120,687	-
Saskatchewan Government Insurance	80,000	80,000
SaskEnergy Incorporated	71,531	71,531
Saskatchewan Gaming Corporation (b)	12,805	19,805
Saskatchewan Water Corporation	8,700	8,700
	$ 1,203,723	$ 1,090,036

a) On March 31, 2011 CIC received investment properties with a value of $120.7 million from the GRF as an equity investment in CIC. On March 31, 2011, CIC transferred the investment properties to Saskatchewan Opportunities Corporation. The transfer of these assets represents an equity investment by CIC in Saskatchewan Opportunities Corporation.

The value of these properties was determined consistent with the IFRS framework upon transfer from the GRF.

b) During 2011, Saskatchewan Gaming Corporation repaid $7.0 million of its equity advances to CIC.

9. Investments in share capital corporations

	Voting Percentage	2011	2010
CIC Asset Management Inc. (a):			
7,999,983 (2010 - 7,999,983) common shares	100%	$ 80,000	$ 80,000
First Nations and Métis Fund Inc. (FNMF) (b):			
100 (2010 - 100) Class A common shares	100%	-	-
Due from FNMF		6,100	3,100
Impairment in value of FNMF		(2,000)	-
		4,100	3,100
CIC Economic Holdco Ltd. (c):			
100 (2010 - 100) Class A common shares	100%	-	-
Due from CIC Economic Holdco Ltd.		3,427	4,017
		3,427	4,017
CIC Apex Equity Holdco Ltd. (d):			
100 (2010 - 100) Class A common shares	100%	-	-
Due from CIC Apex Equity Holdco Ltd.		14,819	8,091
		14,819	8,091
Saskatchewan Immigrant Investor Fund Inc. (e):			
1 (2010 - 1) Class A common share	100%	-	-
		$ 102,346	$ 95,208

a) CIC AMI was established on November 14, 1979 under *The Business Corporations Act (Saskatchewan)*. CIC AMI provides equity and loans to organizations that have significant operations in Saskatchewan.

b) FNMF was established on May 9, 2006 to provide venture capital to qualifying First Nations and Métis businesses in the Province of Saskatchewan. Due to losses accumulated from investments made by FNMF, CIC has recorded a $2.0 million (2010 - $Nil) provision in the current year. The provision reflects CIC's current expectations of recovery of the amount due from FNMF.

c) CIC, through its wholly-owned subsidiary, CIC Economic Holdco Ltd., entered into a joint venture agreement with Saskatchewan Entrepreneurial Fund Joint Venture (SEFJV). The SEFJV was established on April 24, 2006 to operate as an institutional investment fund focusing primarily on investment in Saskatchewan and the creation of employment and economic growth and expansion of the small business sector in Saskatchewan. CIC Economic Holdco Ltd. holds a 45.5 per cent (December 31, 2010 - 45.5 per cent) joint venture interest in SEFJV.

At December 31, 2011, CIC Economic Holdco Ltd. had total assets of $3.1 million (December 31, 2010 - $3.9 million) and recorded a net loss of $0.1 million (December 31, 2010 loss of $0.1 million). CIC has invested $3.4 million (December 31, 2010 - $4.0 million) in capital in SEFJV through CIC Economic Holdco Ltd.

d) CIC, through its wholly-owned subsidiary, CIC Apex Equity Holdco Ltd., entered into a joint venture agreement with Apex Investment GP Inc., PFM Capital Inc., Conexus Credit Union 2006, Cornerstone Credit Union and Innovation Credit Union to establish Apex Investment Limited Partnership (APEX). APEX was established on February 1, 2007 to focus on debt and equity investments in Saskatchewan small and medium-sized business. The objective of APEX is to realize long-term capital appreciation from its investments. CIC Apex Equity Holdco Ltd. holds a 54.7 per cent (December 31, 2010 - 54.5 per cent) joint venture interest in APEX.

At December 31, 2011, CIC Apex Equity Holdco Ltd. had total assets of $26.9 million (December 31, 2010 - $19.0 million) and recorded net earnings of $2.2 million (December 31, 2010 - $4.8 million). CIC has invested $14.8 million (December 31, 2010 - $8.1 million) in capital in APEX through CIC Apex Equity Holdco Ltd.

e) SIIF was established on October 6, 2010 under *The Business Corporations Act (Saskatchewan)*. SIIF was established to participate in the Government of Canada's Immigrant Investor Program (IIP). SIIF uses the IIP funds to deliver the Government of Saskatchewan's Headstart on a Home program that assists builders and developers in building affordable housing.

10. Equipment

	2011	2010
Cost		
Balance at January 1	$ 1,714	$ 1,704
Additions	127	42
Disposals	(104)	(32)
Cost at end of year	1,737	1,714
Accumulated depreciation		
Balance at January 1	1,280	1,161
Depreciation	139	151
Disposals	(104)	(32)
Accumulated depreciation at end of year	1,315	1,280
	$ 422	$ 434

11. Intangible assets

	2011	2010
Cost		
Balance at January 1	$ 525	$ 276
Additions	-	249
Disposals	-	-
Cost at end of year	525	525
Accumulated amortization		
Balance at January 1	13	-
Amortization	26	13
Disposals	-	-
Accumulated amortization at end of year	39	13
	$ 486	$ 512

Intangible assets relate to a carbon offset project located within Saskatchewan. Capitalized costs are for the planting of hybrid poplar trees used to sequester carbon from the atmosphere in tree biomass. The project is expected to create carbon offset credits over its life cycle ending September, 2029.

12. Equity advances and capital disclosures

CIC does not have share capital. However, CIC has received advances from the GRF to form its equity capitalization. The advances are an equity investment in CIC by the GRF. During 2011, CIC received $120.7 million in equity advances from the GRF in the form of investment properties. On March 31, 2011, CIC transferred the investment properties to Saskatchewan Opportunities Corporation. In 2010, CIC repaid $120.0 million in equity advances from the GRF. CIC, as a holding corporation for the Saskatchewan commercial Crown sector, does not carry any debt. Equity advances from the GRF have been invested in subsidiary Crown corporations.

CIC's ability to pay regular dividends to the GRF depends mainly on the level of Crown corporation dividends to CIC, less CIC's operating costs. These costs include support to non-dividend paying Crown corporations and public policy expenditures. Crown corporation dividend levels depend on their net earnings and capital structure. In addition to cash constraints, CIC's ability to declare dividends to the GRF depends on its retained earnings. CIC's earnings and hence, dividend capacity outlook, are sensitive to adverse developments in its operating expenditures and Crown corporation earnings.

At December 31, 2011, CIC declared and paid $128.5 million (2010 - $471.0 million) in dividends to the GRF.

On February 29, 2012, CIC declared a dividend to the GRF in the amount of $120.0 million payable on or before March 30, 2012.

13. Commitments and contingencies

a) CIC and Consumer's Co-operative Refineries Limited (CCRL) entered into an agreement whereby CIC has agreed to provide up to $5.0 million of grant funding towards CCRL'S research, development or implementation of technologies that reduce greenhouse gas emissions. To date CIC has recorded $0.4 million (2010 - $0.3 million) in grant funding to CCRL.

b) CIC, as plan sponsor of Capital Pension Plan, has guaranteed the annuities for the Retirement Annuity Fund portion of the Capital Pension Plan. CIC does not expect any exposure under this guarantee in 2012.

c) CIC has committed to invest up to $20.0 million in the FNMF. At December 31, 2011, CIC has invested $6.1 million (December 31, 2010 - $3.1 million).

d) CIC has committed to invest up to $52.1 million in the Apex Investment Limited Partnership. At December 31, 2011, CIC has invested $14.8 million (December 31, 2010 - $8.1 million).

14. Dividend revenue

Dividend revenue consists of the following:

	2011	2010
Saskatchewan Telecommunications Holding Corporation	$ 138,592	$ 139,682
SaskEnergy Incorporated	39,150	48,800
Saskatchewan Gaming Corporation	20,693	19,354
Information Services Corporation	15,496	14,039
Saskatchewan Government Insurance	-	43,520
Saskatchewan Opportunities Corporation	-	9,000
Saskatchewan Development Fund Corporation	-	1,695
	$ 213,931	$ 276,090

15. Finance income and expenses

	2011	2010
Interest income from short-term investment holdings	$ 4,968	$ 4,891
Interest expense on bank account overdraft	(9)	(9)
	$ 4,959	$ 4,882

16. Grants to subsidiary corporations

	2011	2010
Saskatchewan Power Corporation	$ 100,240	$ 109,916
SaskEnergy Incorporated	12,225	18,231
Saskatchewan Transportation Company	10,700	9,300
Saskatchewan Telecommunications Holding Corporation	10,000	3,251
Saskatchewan Government Insurance	2,950	-
Gradworks Inc.	400	-
Saskatchewan Water Corporation	-	49
	$ 136,515	$ 140,747

17. Net change in non-cash working capital balances related to operations

	2011	2010
Decrease in interest and accounts receivable	$ 677	$ 266
(Increase) decrease in dividends receivable	(4,386)	24,912
(Decrease) increase in interest and accounts payable	(11,945)	8,286
	$ (15,654)	$ 33,464

18. Financial instruments

a) Market risk

Interest rate price risk reflects the risk that CIC's earnings will fluctuate due to changes in interest rates. CIC's cash and cash equivalents, short-term investments and restricted cash and cash equivalents are held in short-term money market instruments and will therefore adjust to fluctuations in the interest rate environment. CIC does not believe that the impact of fluctuations in interest rates will be significant and therefore has not provided a sensitivity analysis of the impact on net earnings.

Cash and cash equivalents, short-term investments, and restricted cash and cash equivalents are measured at fair value based on an active market.

b) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. CIC's interest and accounts receivable consist mostly of interest due on money market investments. CIC has recorded no allowance on its interest and accounts receivable balance. Dividends receivable are due from CIC's subsidiaries within 90 days of year end. CIC has recorded no allowances on its dividends receivable.

c) Liquidity risk

Liquidity risk is the risk that CIC is unable to meet its financial commitments as they become due. CIC is a Saskatchewan Provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance. All interest and accounts payable are current and due within six months of year end. Currently, CIC has sufficient resources to discharge all liabilities.

19. Related party transactions

Included in these separate financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). CIC has elected to take a partial exemption under IAS 24 - *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government and other government related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

In addition, CIC pays Saskatchewan provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

CIC provides management services to CIC Asset Management Inc., First Nations and Métis Fund Inc., Gradworks Inc., Saskatchewan Immigrant Investor Fund Inc., CIC Economic Holdco Ltd. and CIC Apex Equity Holdco Ltd. without charge.

These separate financial statements and the notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

Key management personnel compensation

In addition to their salaries, CIC also provides non-cash benefits to executive officers and contributes to a post-employment defined contribution plan on their behalf. A retirement allowance is provided to executive officers and accumulates at a rate of 1.92 per cent of their respective gross salary per year.

Key management personnel compensation is comprised of:

	2011	2010
Salaries, wages and short-term employee benefits	$ 1,152	$ 1,108
Post-employment benefits	90	114
Other long term benefits	8	7
	$ 1,250	$ 1,229

20. Pension plan

CIC's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is administered by CIC. CIC's contributions to the Plan include making regular payments into the Plan to match the required amounts contributed by employees for current service. The total amount paid to the Plan to December 31, 2011 was $545.4 thousand (December 31, 2010 - $517.7 thousand). Included in the Plan is a Retirement Annuity Fund (the Fund). The Fund provides retirement annuities at the option of retiring members of the Plan. An actuarial valuation of the Fund is performed annually. The assets of the Fund at December 31, 2011 exceed the actuarially determined net present value of retirement annuities payable.

21. Explanation of transition to IFRS

As stated in Note 2(a), these are CIC's first separate financial statements prepared in accordance with IFRS.

The accounting policies set out in Note 4 have been consistently applied in preparing the separate financial statements for the year ending December 31, 2011, the comparative information presented in these separate financial statements for the year ending December 31, 2010, and in the preparation of an opening IFRS statement of position at January 1, 2010, CIC's date of transition.

In preparing its opening IFRS statement of financial position CIC has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected CIC's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

IFRS 1 provides the option to measure investments in subsidiaries, at the date of transition to IFRS, at their previous Canadian GAAP carrying amounts and use that amount as deemed cost.

RECONCILIATION OF EQUITY

	Note	December 31, 2010 GAAP balance	December 31, 2010 IFRS adjustments	December 31, 2010 IFRS balance	January 1, 2010 GAAP balance	January 1, 2010 IFRS adjustments	January 1, 2010 IFRS balance
ASSETS							
Current							
Cash and cash equivalents		$ 160,811	$ -	$ 160,811	$ 96,009	$ -	$ 96,009
Short-term investments		154,698	-	154,698	451,829	-	451,829
Interest and accounts receivable		2,845	-	2,845	3,111	-	3,111
Dividends receivable		60,785	-	60,785	85,697	-	85,697
Restricted cash and cash equivalents		110,505	-	110,505	67,132	-	67,132
		489,644	-	489,644	703,778	-	703,778
Restricted cash and cash equivalents		-	-	-	146,693	-	146,693
Equity advances to Crown corporations		1,090,036	-	1,090,036	1,082,736	-	1,082,736
Investments in share capital corporations	a	15,208	80,000	95,208	45,721	152,725	198,446
Equipment		434	-	434	543	-	543
Intangible assets		512	-	512	276	-	276
		$ 1,595,834	$ 80,000	$ 1,675,834	$ 1,979,747	$ 152,725	$ 2,132,472
LIABILITIES AND PROVINCE'S EQUITY							
Current							
Interest and accounts payable		$ 14,627	$ -	$ 14,627	$ 6,341	$ -	$ 6,341
Deferred funding		100,240	-	100,240	63,448	-	63,448
		114,867	-	114,867	69,789	-	69,789
Deferred funding		-	-	-	146,693	-	146,693
		114,867	-	114,867	216,482	-	216,482
Province of Saskatchewan's Equity							
Equity advances		931,152	-	931,152	1,051,152	-	1,051,152
Retained earnings	a	549,815	80,000	629,815	712,113	152,725	864,838
		1,480,967	80,000	1,560,967	1,763,265	152,725	1,915,990
		$ 1,595,834	$ 80,000	$ 1,675,834	$ 1,979,747	$ 152,725	$ 2,132,472

RECONCILIATION OF TOTAL COMPREHENSIVE INCOME

		December 31, 2010		
	Note	GAAP balance	IFRS adjustments	IFRS balance
INCOME FROM OPERATIONS				
Dividend revenue		$ 276,090	$ –	$ 276,090
Other income	a,b	77,620	(77,616)	4
		353,710	(77,616)	276,094
EXPENSES				
Operating	c	13,998	(7,696)	6,302
Salaries and benefits	c	–	7,169	7,169
Future employee benefit expenses	c	–	518	518
Depreciation and amortization		164	–	164
		14,162	(9)	14,153
EARNINGS FROM OPERATIONS		339,548	(77,607)	261,941
Finance income	b	–	4,891	4,891
Finance expenses	b	–	(9)	(9)
NET FINANCE INCOME		–	4,882	4,882
EARNINGS BEFORE PUBLIC POLICY INITIATIVES		339,548	(72,725)	266,823
Deferred grant funding earned		109,901	–	109,901
Grants to subsidiary corporations		(140,747)	–	(140,747)
NET EARNINGS ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN		308,702	(72,725)	235,977
OTHER COMPREHENSIVE INCOME		–	–	–
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN		$ 308,702	$ (72,725)	$ 235,977

a) Until December 29, 2010 CIC's investment in its subsidiary CIC AMI was written down by $152.7 million under previous Canadian GAAP to reflect losses in value of certain assets held by CIC AMI. On December 30, 2010 CIC retracted 10,000,000 shares of CIC AMI at $10 per share for proceeds of $100.0 million. Under Canadian GAAP CIC recorded a recovery of its write-down in its investment in CIC AMI of $72.7 million. At December 31, 2010, under Canadian GAAP, CIC had an original cost of CIC AMI of $80.0 million and a book value of $Nil. CIC has determined that the fair value of the remaining assets of CIC AMI currently exceeds CIC's book value by more than $80.0 million at December 31, 2010 and by more than $152.7 million at January 1, 2010. Under IFRS, fair value of investments are reviewed at each reporting date and provisions for impairment losses are reversed if the increase in value can be related objectively to an event occurring after the impairment loss was recognized in earnings. Therefore, CIC has adjusted its investment in CIC AMI by $152.7 million on January 1, 2010 and by $80.0 million on December 31, 2010 to reverse its original write-down.

b) Under previous Canadian GAAP interest revenue was classified as other income. The amount has been reclassified to finance income under IFRS. Interest expense classified as an operating and administration expense under Canadian GAAP has been reclassified to finance expense under IFRS.

c) Under previous Canadian GAAP salaries and wages and future employment expenses were classified as operating and administration expense. These amounts have been reclassified to separate expense categories under IFRS.

RECONCILIATION OF CASH FLOW

For the year ended December 31, 2010 there were no material reconciling items between previous Canadian GAAP and IFRS cash flows.

Glossary of Terms

Accumulated other comprehensive income

Comprises the accumulated balance of all components of other comprehensive income, being revenues, expenses, gains and losses that, in accordance with primary sources of generally accepted accounting principles, are recognized in comprehensive income, but excluded from net earnings.

Capital resources

The funds that have been invested in and loaned to the corporation to allow it to carry out its operations and investment activities. A corporation's capital consists of its debt and equity.

Capital structure

The relative percentage or weighting of debt compared to equity for a corporation. The ideal capital structure for a corporation is usually specific to its industry and depends on factors such as the level of capital assets required to maintain operations, the cost of borrowing, the risk associated with the industry, and shareholder expectations.

Cash flow return on equity

A measure of profitability used to evaluate the Province's investment in CIC. It is based on the cash return (e.g., dividend) provided to the owner and is calculated as dividends paid to the GRF divided by the Province's equity.

Comprehensive income

The change in equity (net assets) of an enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

Debt ratio

Measures the per cent of debt in the overall capital structure of an organization and is used to evaluate its financial flexibility. It is calculated as total debt from ongoing operations (long-term debt plus long-term debt due within one year plus notes payable) less sinking funds divided by the Corporation's capital (debt plus equity).

Derivative

A contract or security that obtains its value from price movements in a related or underlying security, future or other instrument or index.

Dividend capacity

The financial ability that a firm has to pay dividends. Dividend capacity is determined by identifying cash sources from operations, analyzing reinvestment needs and the target capital structure, and then determining surplus cash.

Dividend payout rate

The percentage of earnings that has been paid out as dividends.

Forward contract

A contractual commitment to buy or sell a specified currency at a specific price and date in the future.

General Revenue Fund (GRF)

The GRF is a special purpose fund that the Government uses to pay for most of the programs it provides. It is the Government of Saskatchewan's central accounting entity where all public monies are deposited to and disbursed from, as authorized by the Legislative Assembly.

Minimum capital test (MCT)

The minimum capital test is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required.

Option

A contract that grants the right, but not the obligation, to buy or sell a commodity or financial instrument at a specified price at a point in time during a defined period.

Other comprehensive income

Comprises revenue, expenses, gains and losses that, in accordance with primary sources of generally accepted accounting principles are recognized in comprehensive income, but excluded from net income.

Performance Management Plans

Plans that are developed by each Crown corporation detailing key strategic priorities, measures and targets for a given year. They are also referred to as business plans, and typically include the corporation's budget for the year.

Return on equity

A measure of profitability that relates a company's earnings to the investment by its owners. It is calculated as net earnings divided by the average shareholder's equity.

Significant transaction

Significant transactions are those judged by a Crown corporation to be sensitive and likely of interest to legislators and the public; or where the transaction is both material and outside the ordinary course of business and involves:

- the acquisition of a major investment or asset, or the assumption of a major liability;
- a change in the terms and conditions governing an existing investment or asset; or
- the divestment of a major asset or investment.

Sinking fund

An account held for the specific purpose of paying down an existing debt instrument (e.g., loan) that has a maturity date in the future. Money is placed in the fund over the period which the debt is held, and then used to pay off the debt at its maturity. Sinking funds are recorded as investments for financial reporting purposes.

Swap

A contractual agreement to exchange a stream of periodic payments with a counterparty.

Directory

400 - 2400 College Avenue • Regina, Saskatchewan • Canada • S4P 1C8
Inquiries: 306.787.6851 • Fax: 306.787.8125 • www.cicorp.sk.ca

Subsidiaries

Information Services Corporation of Saskatchewan
300-10 Research Drive
Regina, Saskatchewan S4S 7J7
Inquiry: 1-866-275-4721
President: Jeff Stusek
Web site: www.isc.ca

CIC Asset Management Inc.
500-2400 College Ave
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-5279
Managing Director: Rae Haverstock
Web site: www.cicorp.sk.ca

Saskatchewan Government Insurance
2260-11th Ave
Regina, Saskatchewan S4P 0J9
Inquiry: 1-800-667-9868
President: Andrew Cartmell
Web site: www.sgi.sk.ca www.sgicanada.ca

Saskatchewan Gaming Corporation
2020 Saskatchewan Drive
Regina, Saskatchewan S4P 0B2
Inquiry: (306) 787-1590
President: Twyla Meredith
Web site: www.saskgaming.com

Saskatchewan Opportunities Corporation
114-15 Innovation Boulevard
Saskatoon, Saskatchewan S7N 2X8
Inquiry: (306) 933-6259
President: Doug Tastad
Web site: www.innovationplace.com

Saskatchewan Power Corporation
2025 Victoria Avenue
Regina, Saskatchewan S4P 0S1
Inquiry: 1-888-757-6937
President: Robert Watson
Web site: www.saskpower.com

Saskatchewan Telecommunications
2121 Saskatchewan Drive
Regina, Saskatchewan S4P 3Y2
Inquiry: 1-800-727-5835
President: Ron Styles
Web site: www.sasktel.com

Saskatchewan Transportation Company
1717 Saskatchewan Drive
Regina, Saskatchewan S4P 2E2
Inquiry: (306) 787-3347
President: Shawn Grice
Web site: www.stcbus.com

Saskatchewan Water Corporation
111 Fairford Street East
Moose Jaw, Saskatchewan S6H 1C8
Inquiry: 1-888-230-1111
President: Doug Matthies
Web site: www.saskwater.com

SaskEnergy Incorporated
1777 Victoria Ave
Regina, Saskatchewan S4P 4K5
Inquiry: 1-800-567-8899
President: Doug Kelln
Web site: www.saskenergy.com

400 - 2400 College Avenue • Regina, Saskatchewan • Canada • S4P 1C8
Inquiries: 306.787.6851 • Fax: 306.787.8125 • www.cicorp.sk.ca